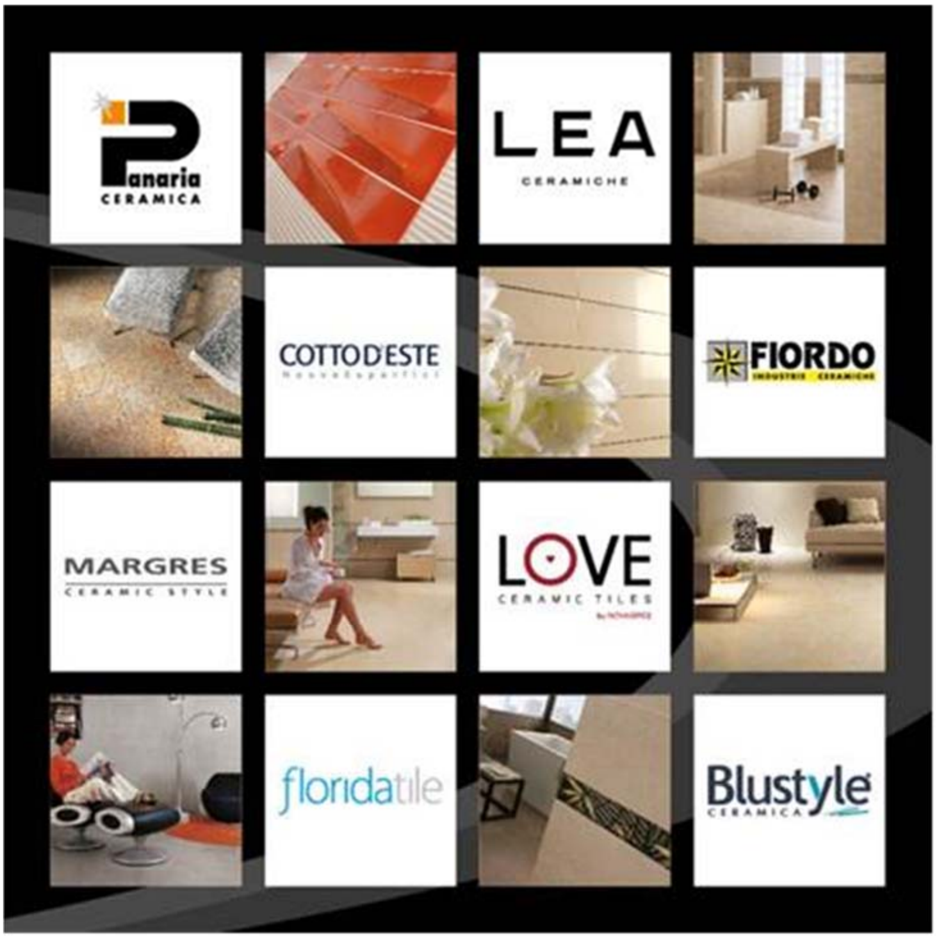
ANNUAL REPORT 2014 - DRAFT



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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Panariagroup Industrie Ceramiche S.p.A.

1. We have audited the financial statements of Panariagroup Industrie Ceramiche S.p.A. as of December 31, 2014 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flows statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Panariagroup Industrie Ceramiche S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 28, 2014.

3. In our opinion, the financial statements of Panariagroup Industrie Ceramiche S.p.A. at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Panariagroup Industrie Ceramiche S.p.A. for the year then ended.

4. The Directors of Panariagroup Industrie Ceramiche S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Directors' Report and the Annual Report on Corporate Governance and the Company's Ownership Structure published in the section "Social Documents" of Panariagroup Industrie Ceramiche S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Directors' Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Directors' Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Panariagroup Industrie Ceramiche S.p.A. at December 31, 2014.

Bologna, March 30, 2015

Reconta Ernst & Young S.p.A.
Signed by: Gianluca Focaccia, partner

This report has been translated into the English language solely for the convenience of international readers.

Panariagroup Industrie Ceramiche

DIRECTORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

The financial statements for the year ended 31 December 2014 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), suitably revised, and all of the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

After the European Regulation no. 1606 took effect in July 2002 and beginning with the financial statements of the first half of 2005, the Group adopted the IFRS standards issued by the International Accounting Standards Board officially approved by the European Union. The accounting policies and financial statement formats used in preparing these financial statements do not differ from those applied in the financial statements for the year ended 31 December 2013, with the exception of those international accounting standards which entered into effect as of 01 January 2014 and which are illustrated in the section of the financial statements named "Accounting standards, amendments and interpretations applicable as of 01 January 2014"; refer to this section for more information. The application of these standards did not produce any significant effects.

The Directors' Report does not include any alternative performance measures and 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).

The majority shareholder of the Company is the holding company Finpanaria S.p.A.

STRUCTURE OF THE GROUP

The structure of the Group at 31 December 2014 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 floor and wall coverings under five distinctive brand names: Panaria, Lea, Cotto d'Este, Fiordo and Blustyle. The Group is mainly focused on the high-end and deluxe market segment and mainly sell porcelain gres 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 Love Tiles, both aimed at the main European markets.

Panariagroup USA Inc., based in Delaware, USA, share capital of USD 65,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A.

It owns 100% interests in Florida Tile Inc. and Lea North America LLC.
This company markets Panaria branded products on the North American market.

Florida Tile Inc. based in Delaware, USA, share capital of USD 34,000,000, 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.
La società commercializza nel Nord-America le linee di prodotto a marchio Lea.

Montanari S.r.l., 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.

Panariagroup Immobiliare, based in Finale Emilia, Modena (Italy), share capital of Euro 10,000.00, 100% owned by Panariagroup Industrie Ceramiche S.p.A.
The company's main activities are the purchase and sale of buildings.

Furthermore, the Group participates in a Joint Venture Company (JVC) based in the Indian state of Gujarat. This company is 50% held by Panariagroup and 50% by Asian Granito India Ltd, a leading manufacturer in the Indian market.

Directors and Officers

Board of Directors

Name	Office
Emilio Mussini	Chairman of the Board and Managing Director
Giuliano Mussini	Deputy Chairman of the Board of Directors
Giovanna Mussini	Deputy Chairman of the Board of Directors
Paolo Mussini	Managing Director
Giuliano Pini	Managing Director
Sonia Bonfiglioli	Independent Director
Paolo Onofri	Independent Director
Enrico Palandri	Independent Director
Roberto Tunioli	Independent Director

Board of Statutory Auditors

Name	Office
Francesca Muserra	Chairman of the Board of Statutory Auditors
Piergiovanni Ascari	Standing Auditor
Vittorio Pincelli	Standing Auditor

Independent Auditors

Reconta Ernst & Young S.p.A.

Directors' Report on the 2014 Financial Statements

Results and significant events in 2014

Results

Shareholders,

In 2014, the expansion rates of the world economy highlighted some discrepancies among the main geographic areas.

While the U.S. growth strengthened, the cyclical downturn in the Euro zone continued to reflect the unresolved criticalities of some countries (Italy, Greece and also France) as well as the tensions between Russia and the Ukraine and the Middle East crisis. Also in the strongest economies of the Union, particularly in Germany, some slowdown signs were evident.

In this context, inflation dropped to exceptionally low levels, with the risk of possible deflation in some countries.

Monetary policy on both sides of the Atlantic continues to reflect the cyclic differentiation between the United States and the Euro area: while in the former, the Federal Reserve is applying a cautious QE exit strategy, in the latter the European Central Bank has further broadened its expansionary impulse thus contributing to the start of a depreciation phase of the Euro which, in the future, should stimulate recovery in the Euro area.

In the construction sector, several different dynamics developed in the markets where the Group operates. In the Western European countries, except for the United Kingdom and some areas of North Europe, the current downturn continued although at a slower pace than in Italy; France also showed some signs of a slowdown.

North America showed an accelerating recovery in the second half of the year. In the main emerging countries where the Group operates, significant progress was recorded with the exception of those areas subject to geo-political instability.

Still within this downswing context, the revenue of the Group recorded a significant growth, compared with 2013, due to an increase in volume.

In summary, the results of 2014 can be summarized as follows:

- Revenues from sales amounted to Euro 157.5 million, an increase of 0.9% with respect to 2013.
- Gross operating profit was equal to Euro 5.0 million (Euro 3.7 million in 2013).
- There was a net operating loss of Euro 6.1 million (loss of Euro 8.9 million in 2013).
- The net result was a loss equal to Euro 2.5 million (net profit of Euro 3.8 million in 2013).

The year 2014 was characterised by an important, even if slight, reversal in the trend, compared with the two previous years which have been characterized by a negative sale trend (-11% in 2012 and -5.5% in 2013).

Our company, which traditionally operates in Italy and in the Western European Markets, is therefore negatively affected by current economic conditions, in particular by the negative trend that is affecting domestic market.
However, having directed part of its commercial efforts toward the development of alternative markets and channels with greater growth potential, made it possible to fully offset the negative gap associated.

Also in terms of revenue, some important improvements were recorded with a positive change in the Gross Operating Profit which was equal to Euro 1.3 million and a Net Operating Profit equal to Euro 2.8 million.

Main significant results were recorded on the financial position as well as on cash flow; management’s policies aimed to optimize the net cash flow have generated a positive impact on the net financial position, which went from Euro 82.0 million to Euro 68.1 million, with an important improvement of Euro 13.9 million.

Significant events in the period

In 2014, a significant restructuring was carried out involving all the business areas of the company.

The centralisation of the service functions (Administration, Finance, Purchasing, Credit Management, Information Systems) was completed with the incorporation of other operating activities in support of the Divisions (Logistics, Work Account, Samples). This centralisation allowed for a structural resizing although its main objective was to obtain more efficient service operations.

In addition to these initiatives, from the beginning of the second half of the year and in order to improve the efficacy of commercial activities in the markets where the Group still has a limited presence, the Panariagroup Trade Division was expanded. The “Trade” distribution model consists in concentrating, in a single structure, the marketing of all the Group's brands in well defined areas; with the expansion, some Eastern European areas were incorporated into the Division's perimeter. We are confident that the positive experience resulting from the adoption of this organisational model in the Asia and Oceania markets will lead to the achievement of equally positive results in the new areas of intervention, as evinced by the results obtained in the first few months of the new structure's activities which have already shown important developments.

Furthermore, in terms of a commercial streamlining, the brands Cotto d’Este and Blustyle were unified into a single organisational unit; the objective is to reduce distribution costs and offer a wider range of products to the customers.

The structure dedicated to the development of the Private Label channel was strengthened and expanded. This will enable us to take better advantage of the production capacity of our European plants; in 2014, this structure achieved a significant increase in its turnover.

The success of the gres laminate products, of which Panariagroup is a market leader, continued to contribute to the increase in the overall sales of the Group.
In order to expand market penetration and areas of application, the product range was significantly broadened with new formats, thicknesses and finishes.

The technological upgrade of the plants continued; the constant attention paid to the maintenance of our technologically advanced facilities is positioning us in a market segment that is accessible to a very limited group of competitors.

In 2014, in particular, we have continued to introduce digital printing technology into the different production lines.

Review of the Company's 2014 results

Income statement at 31 December 2014 compared with 31 December 2013

(in thousands of euro)

	12/31/2014	%	12/31/2013	%	var.
Revenues from sales and services	**157,487**	**97.66%**	**156,059**	**102.95%**	**1,428**
Change in inventories of finished products	(3,629)	-2.25%	(11,023)	-7.27%	7,394
Other revenues	7,396	4.59%	5,488	3.62%	1,908
Income from unexpected events	0	0.00%	1,062	0.70%	(1,062)
Value of Production	**161,254**	**100.00%**	**151,586**	**100.00%**	**9,668**
Raw, ancillary and consumable materials	(39,043)	-24.21%	(35,661)	-23.53%	(3,382)
Services, leases and rentals	(68,794)	-42.66%	(65,619)	-43.29%	(3,175)
Personnel costs	(46,616)	-28.91%	(43,766)	-28.87%	(2,850)
Other operating expenses	(1,833)	-1.14%	(1,832)	-1.21%	(1)
Costs from unexpected events	0	0.00%	(963)	-0.64%	963
Cost of production	**(156,286)**	**-96.92%**	**(147,841)**	**-97.53%**	**(8,445)**
Gross operating profit	**4,968**	**3.08%**	**3,745**	**2.47%**	**1,223**
D&A expenses	(10,016)	-6.21%	(10,189)	-6.72%	173
Provisions from unexpected events	(1,065)	-0.66%	(2,427)	-1.60%	1,362
Net operating profit	**(6,113)**	**-3.79%**	**(8,871)**	**-5.85%**	**2,758**
Financial income and expense	2,837	1.76%	9,544	6.30%	(6,707)
Pre-tax profit	**(3,276)**	**-2.03%**	**673**	**0.44%**	**(3,949)**
Income taxes estimated	756	0.47%	3,077	2.03%	(2,321)
Net profit (loss) for the period	**(2,520)**	**-1.56%**	**3,750**	**2.47%**	**(6,270)**

Revenues

Revenues from sales have overall increased by **0.9**%, in comparison to 2013.

Principal markets

The **Italian market** continues to show signs of weakness although to a lesser extent in the second half of the year; the Group has substantially maintained unaltered its market share with a decline in line with the sector figures.

The Italian market share represents 39% of total sales.

The **European markets** registered an increase exceeding 6%; this growth was partially due to good performances recorded in Spain, Portugal, UK and The Netherlands.

The sales trend was not affected by the difficulties experienced by Russia in this last period (in which market we have actually recorded an increase), since Russia is a fairly marginal market for the Group.

The European market share was 39% of the total sales.

The **US market** registered a decrease of 10%; North American market is more and more directly managed by American subsidiaries, with a direct presence in this extremely important area, they are able to offer more competitive prices as well as more competitive client's services.

The US market share represents 6% of total sales.

In the **other markets (Asia, Canada, South America, Oceania and Africa**), the Company achieved a significant 10% growth from all the main areas; particularly noteworthy are the results obtained from the Asia and Oceania markets thanks to the activities carried out by the Panariagroup Trade Division.

The "other markets" share represents 16% of total sales.

Performance of the Group's Divisions

The Panaria, Lea, Cotto d'Este, Fiordo, Blustyle Divisions, which operate exclusively in the domestic market and in the Western European markets, had an overall performance conditioned by a contraction in the Italian market and by the less than brilliant economic conditions of the other countries.

The Panariagroup Trade, which operates in the Asian and Oceanian markets, and now also in the main eastern European areas, grew in the main areas of interest.

In 2014, the sales channel that focuses on production on the behalf of third parties, obtained good results; the high technological quality and the wide range of our products are very interesting to this market segment.

As it already happened in the USA and in the Portuguese Business Units, some streamlining and restructuring activities are under way – and for the most part already completed – also in the Italian Business Unit. Given the positive results achieved by these operations in the foreign Business Units, we trust we can obtain significant results also in the Italian Divisions, starting with 2015.

Operating results

Gross operating profit came to Euro 5.0 million, representing 3.1% of the value of production (Euro 3.7 million, 2.5%, in 2013), with an increase of Euro 1.3 million.

It is worth to point out that it has been weighted by non-recurring personnel restructuring costs of Euro 0.7 million, so actual increase due to operating activities was equal to Euro 2 million.

Gross operating profit positive variance in comparison to 2013, was meanly driven by the larger use of the production capacity of the 3 plants of the Group.

The net operating profit amounted to a negative Euro 6.1 million (versus negative Euro 8.9 million in 2013).

The depreciation and amortisation have been substantially in line compared with 2013.

The allocations, amounting to Euro 1.1 million, reflect the prudent assessment of the related financial statements items.

Financial expenses and income amounted to a positive Euro 2.8 million, mainly due to:

- the positive effects of the dollar appreciation over the Euro, which generated exchange gains for Euro 2.5 million;
- dividend distribution from the controlled company Gres Panaria Portugal for Euro 2.0 million.

These positive amounts are partially offset by interest expenses on financial debts, that are substantially in line compared with 2013.
It should be noted that in 2013 “Financial income and expenses” included the write back of the investment in Panariagroup USA for Euro 12.3 million.

The pre-tax results is a loss of Euro 3.3 million (positive by Euro 0.7 million).

Net loss for the year totals Euro 2.5 million, (net profit of Euro 3.8 million in 2013).

Review of the balance sheet

Financial position

(in thousands of Euro)

	12/31/2014	12/31/2013
Inventories	67,745	72,145
Accounts Receivable	53,102	53,100
Other current assets	7,983	7,840
CURRENT ASSETS	**128,830**	**133,085**
Account Payables	(36,835)	(32,907)
Other current liabilities	(20,062)	(18,282)
CURRENT LIABILITIES	**(56,897)**	**(51,189)**
NET WORKING CAPITAL	**71,933**	**81,896**
Goodwill	0	0
Intangible assets	746	647
Tangible assets	38,022	39,773
Equity Investments and other financial assets	90,219	90,219
FIXED ASSETS	**128,987**	**130,639**
Receivables due after following year	13,449	20,172
Provision for termination benefits	(6,501)	(6,021)
Provision for risk and charge	5,825	4,221
Other payables due after the year	(1,925)	(2,229)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**10,848**	**16,143**
NET CAPITAL EMPLOYED	**211,768**	**228,678**

Short term financial assets	(1,020)	(8,858)
Short term financial debt	36,395	42,659
NET SHORT TERM FINACIAL DEBT	**35,375**	**33,801**
Mid-Long term financial debt	32,726	48,193
NET FINANCIAL POSITION	**68,101**	**81,994**
Group Shareholders' Equity	143,667	146,684
SHAREHOLDERS' EQUITY	**143,667**	**146,684**
TOTAL SOURCES OF FOUNDS	**211,768**	**228,678**

It must be noted that for a more homogeneous reading of the data, versus the figures of last year, under the column 2013, 908 were reclassified from the item “Other current liabilities” to the item “Other non-current liabilities” in reference to the portion of the Deferred Income maturing after the current period.

As required by CONSOB Communication DEM/6064293 of 28 July 2006, here attached is a table with the reconciliation between the reclassified equity-financial position, shown in the balance sheet above, and the related financial statements.

Net working capital

In 2014, the policy for the reduction of the Net Working Capital, already successfully started in the previous years, continued.

This policy entailed a drop in the Net Working Capital of Euro 10 million, of which more than half is due to the inventory decrease.

During the last two year period, the level of inventory was subject to a careful rationalisation which involved a reduction in the stocked volumes exceeding 15%; we will continue, also in 2015, a policy of reduction in the inventory stock.

Non-current assets

Non-current assets decreased by Euro 1.7 million in 2014.

The decrease was due to investments (Euro 8.3 million) lower than depreciation (Euro 10.0 million).

In 2015, the plans involve relevant interventions directed at the strengthening of the production and processing lines of gres laminate, as well as further investments directed to the internationalisation of those processes that are currently managed through external providers.

To be noted is that, at the beginning of 2015, within the advanced organisational improvement process, the Group launched an important investment related to the implementation of a new management information system (ERP), shared by all the Business Units, which will enable us to carry out better and more homogeneous process management as well as better monitoring of development strategies.

Net financial position

Financial cash flow
(thousands euro)

	12/31/2014	12/31/2013
Net financial position (debt) - beginning	**(81,994)**	**(84,511)**
Net Result for the period	(2,520)	3,751
D & A	10,016	10,189
Non-monetary changes	(2,871)	(16,650)
Internal operating Cash flow	**4,625**	**(2,710)**
Change in net working capital and other mid-long term financial asset/debt	11,405	7,164
Net Investments	(8,364)	(10,512)
Increase in financial assets	0	(245)
Change in loans to Subsidiaries	6,724	8,890
Changes in Equity	(497)	(69)
Net financial position (debt) - final	**(68,101)**	**(81,994)**

Net Financial Position has improved, compared with the end of 2013, by Euro 13.9 million. The main factor behind this positive trend is the reduction of net working capital, but in 2014 also operating self-funding made a positive contribution.

Also in 2015, our policies will aim to limiting the net working capital as well as to maintaining an appropriate financial balance.

Equity

Equity decreased from Euro 146.7 million to Euro 143.7 million mainly due to the net loss of the year.

Segment information

The application of IFRS 8 – Operating segments became compulsory on 1 January 2009. This
standard requires the identification of the operating segments with reference to the system of internal reporting used by senior management to allocate resources and to assess performance.

The previous standard, IAS 14 – Sector reporting, required the identification of segments (primary and secondary) with reference to the related risks and benefits of the segments themselves; the reporting system solely served as the starting point for this identification.

In terms of their economic and financial characteristics, the products distributed by the Group are not significantly different from each other in terms of product nature, nature of the production process, distribution channels, geographical distribution or types of customer. Accordingly, considering the requirements specified in paragraph 12 of the standard, the breakdown called for is unnecessary
since the information would not be useful to readers of the financial statements.

The disclosures required by paragraphs 32-33 of IFRS 8 are shown below. In particular:

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

ASSETS	Italy	Europe	USA	Other	12/31/2014
CURRENT ASSETS	**106,597**	**10,331**	**6,237**	**6,685**	**129,850**
Inventories	67,745				67,745
Trade Receivables	29,849	10,331	6,237	6,685	53,102
Due from tax authorities	3,258				3,258
Other current assets	4,725				4,725
Cash and cash equivalents	1,020				1,020
NON-CURRENT ASSETS	**51,144**	**42,598**	**59,989**	**352**	**154,083**
Goodwill	0				0
Intangible assets	746				746
Property, plant and equipment	37,283		739		38,022
Financial assets	539	42,598	46,730	352	90,219
Deferred tax assets	11,647				11,647
Other non-current assets	929		12,520		13,449
TOTAL ASSETS	**157,741**	**52,929**	**66,226**	**7,037**	**283,933**
Net investments in tangible assets 2014	**8,364**				**8,364**

Research and development activities

Research and development activities, a distinguishing feature of our Company in this sector, continued as before during 2014.

Research and development activities include applied research in our laboratories and the adoption of advanced production technologies.

These two activities, added to the constant technological upgrading of facilities aimed at seeking solutions in production processes to enable cost savings, have allowed us to develop product lines with a high technical content and aesthetic innovations that guarantee us supremacy in the high/deluxe end of the ceramic tile market.

The new product lines created in 2014, and in particular those presented at the now regular event of CERSAIE 2014 were much appreciated. We trust that the successful outcome of these innovations will benefit sales as well as the Group's overall results.

Transactions with parent companies, affiliates and related parties

Related-party transactions are explained in the explanatory notes to the 2014 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.

Transactions with subsidiaries

As at 31 December 2014 the companies controlled by Panariagroup are:

- **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.
- **Panariagroup USA Inc.**, based in Delaware, USA, share capital of USD 65,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A. The company, set up as a financial holding company for the United States area, owns 100% interests in Florida Tile Inc. and Lea North America LLC.
- **Lea North America LLC.**, with head office in Delaware, USA, and share capital of USD 20,000 fully paid-in
- **Florida Tile Inc.**, with head office in Delaware, USA and share capital of USD 34,000,000 fully paid-in
- **Montanari Francesco S.r.l.**, based in Crespellano, Bologna (Italy), share capital of Euro 48,000, 100% owned by Panariagroup Industrie Ceramiche S.p.A.
- **Panariagroup Immobilare S.r.l.**, based in Finale Emilia (Italy), share capital of Euro 10,000, 100% owned by Panariagroup Industrie Ceramiche S.p.A.

The investee companies realized the following results in 2014:

- Gres Panaria Portugal S.A. realized a net turnover of Euro 49.3 million and reported a profit of Euro 0.3 million after depreciation and amortisation, provisions and taxes for Euro 4.1 million; total assets of the Portuguese subsidiary amount to Euro 60.1 million and equity, including the 2014 profit, is Euro 36.2 million.
- The subsidiary Panariagroup USA realized a net turnover of USD 8.7 million, with a profit of USD 0.2 million after depreciation and amortisation, provisions and taxes for USD 0.1 million; total assets of the company amount to USD 88.9 million and equity, including the 2014 profit, is USD 77.6 million.
- The subsidiary Lea North America realized a net turnover of USD 10.1 million and made a profit of USD 1.0 million after depreciation and amortisation, provisions and taxes for USD 0.7 million; total assets of the US subsidiary amount to USD 9.4 million and equity, including the 2014 profit, is USD 4.4 million.

- The subsidiary Florida Tile Inc. realized a net turnover of USD 120.2 million and realized a profit of USD 3.8 million after depreciation and amortisation, provisions and taxes for USD 7.7 million; total assets of the US subsidiary amount to USD 86.1 million and equity, including the 2014 profit, is USD 7.1 million.
- The subsidiary Montanari Francesco S.r.l. realized a net turnover of Euro 1.5 million and realized a net profit of Euro 18 thousand; the sum of depreciation and amortisation, allocations and taxes is equal to Euro 31 thousand. Total assets amount to Euro 1.361 thousand and equity, including 2014 profit, is Euro 188 thousand.
- The subsidiary Panariagroup Immobiliare S.r.l. made no sales during the year and realized a loss of Euro 5 thousand. Total assets amount to Euro 131 thousand and equity, including the 2014 loss, is Euro 29 thousand.

Trade transactions between our Company and the subsidiaries, regulated at market conditions, can be summed up as follows (values in thousands of Euro).

Nature	*Description*	*Gres Panaria*	*Panariagroup USA*	*Florida Tile*	*Lea North America*	*Panariagroup Immobiliare*	*Montanari*
Income Statement - Revenues	*Sale of Finished*	*2,135*	*2,603*	*1,907*	*3,896*		*255*
Income Statement - Revenues	*Sale of Raw Materials*	*1*		*63*			
Income Statement - Revenues	*Services*	*290*	*44*	*413*	*72*		*9*
Income Statement - Costs	*Purchase of finished products*	*3,671*					*2*
Income Statement - Costs	*Services*						
Income Statement - Costs	*Chargeback of costs*	*186*					
Income Statement - Income	*Interest on loans*	*46*		*368*			*1*
Income Statement - Income	*Dividends*	*2,000*					
Balance Sheet - Liabilities	*Liabilities*	*954*					*48*
Balance Sheet - Receivables	*Receivables*	*1,104*	*1,525*	*1,937*	*2,432*		*421*
Balance Sheet - Receivables for Dividends		*2,000*					
Balance Sheet - Loans	*Receivables*			*12,520*		*100*	*300*

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 23 April 2014, the Company has renewed a stock buy-back programme which stood as follows at 31 December 2014:

No. of shares	*% equity*	*Average book value*	*Amount*
432,234	**0.953%**	**3.7347**	**1,614,284.94**

The number of treasury shares in portfolio is the same as at 31 December 2013, as no purchases or sales were made during 2014.

Panariagroup Industrie Ceramiche S.p.A., the Parent Company, does not own any shares or quotas in the ultimate parent companies, nor did it own or trade in such shares or quotas during 2014; 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, it is reported that during 2014 there were no atypical and/or unusual transactions, as defined in the explanatory notes.

Privacy policy

Pursuant to Attachment B) of Italian Legislative Decree 196/2003 (Privacy Act), the directors report that the Company has come into line with the minimum security measures that this law requires.
More specifically, pursuant to point 26 of Attachment B), the Company has duly drawn up the Security Policy Document for the year 2014. It is on file at the registered office and can be consulted by authorised parties and/or the competent control authorities.

Significant subsequent events

No significant events have taken place in the period subsequent to the end of December 2014.

Outlook for Group operations

In 2014 management continued to attain specific objectives for financial optimization which resulted in effective improvements in the net financial position.
Beyond that, efforts undertook in order to research for new segment and growth channels, yield positive results, allowing to end the negative turnover trend which had characterized the two previous years.

The forecast for 2015 is positive due to the initiatives carried out in order to improve commercial and organisational efficacy but also because of a greater dynamism expected from the markets, compared with their current status, following some of the expansion measures that were recently adopted by the Central European Bank.

Two important factors, originating from and linked respectively to the price reduction in energy sources and to the consolidation of the current US to European exchange rate ratio, should contribute to an increase in profits.

In this more favourable context, in comparison with recent years, we are even more encouraged to accelerate reorganisation activities, in particular in the Italian Business Unit which would allow us to recover an adequate level of efficacy and efficiency.

Report on Corporate Governance and the Ownership Structure

In compliance with the disclosure requirements of Borsa Italiana Spa and Consob, Panariagroup Industrie Ceramiche S.p.A. has prepared the *"Report on Corporate Governance and the Ownership Structure"*, which can be consulted on its website www.panariagroup.com in the section entitled Company Documents (as required by art. 123-bis of Law Decree 58 of 24 February 1998).

Risk management

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

GENERAL ECONOMIC RISK

Even in 2014, some of the primary markets of operation of the Group were characterized by a low level of growth and a general situation of uncertainty for companies and families.
The precarious state of market conditions has been accentuated by a severe and generalised credit squeeze for both consumers and companies. This liquidity shortage is having negative repercussions on the industrial development of many business sectors, ours included. Should this situation of weakness and uncertainty become protracted, the activities, strategies and prospects for our Group could be adversely affected, with a negative impact on the balance sheet, income statement and cash flows of the Group.

CREDIT AND LIQUIDITY RISK

The Group's exposure to credit and liquidity risk is analysed in the explanatory notes accompanying these financial statements, which include the information required by IFRS 7.

RISK OF DEPENDENCE ON KEY PERSONNEL

The Group's performance depends, among other things, on the competence and skills of its managers, as well as the ability to ensure continuity in the running of operations. Since several of the principal managers of Panariagroup are shareholders in Panariagroup Industrie Ceramiche S.p.A. - through Finpanaria S.p.A., which holds approximately 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 risk:

The main producers of ceramic materials for floor and wall coverings worldwide, besides Italian firms, are: (i) producers in emerging markets, who are particularly competitive price-wise and target the lower end of the market; (ii) European producers, some of whom are able to compete at the higher end of the market, with average prices that are lower than those of Italian companies, due to lower production costs. Our Group believes that its positioning in the high-end luxury market segment, which is difficult for low-cost producers to enter, the renown of its trademarks, the wide range of product lines offered and the particular care and attention given to design, all represent competitive advantages over the products offered by such competitors. Increased competition could negatively impact the Group's economic and financial results in the medium to long term.

Raw material price risk:

The raw materials used in the production of ceramics for floor and wall coverings such as gas, electricity and clay accounted for more than 25.0% of the value of production in both 2013 and 2014. Therefore, their increase, which is not currently expected, could have a negative impact on the financial results of the Group in the short 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 given the use made of certain chemical compounds, particularly with regard to the treatment of such materials, emissions control and waste disposal.

The Group keenly monitors environmental and personnel risks, and any situations arising in connection with operations are treated in compliance with the 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.

The average workforce in 2014 was equal to 804 individuals, a decrease of 18 employees compared with the average number in 2013.

Consob resolution no. 11971 of 14 May 1999

In compliance with the provisions of this resolution, the following table reports the interests held in Panariagroup and its subsidiaries 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 such directors, statutory auditors, general managers and key management personnel:

- ART. 79 -

TABLE 2 - INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS AT 12/31/2014

Name and Last Name	Investment held in	Number of shares held at the end of the prior year	Number of shares purchased in 2014	Number of shares sold in 2014	Number of shares held at 12/31/2014	Type of holding	Type of ownership
Mussini Giuliano	Panariagroup	892,962	20,000	315,262	597,700	Direct	Property
		4,400			4,400	Spouse	Property
Mussini Giovanna	Panariagroup	189,364	61,277		250,641	Direct	Property
Pini Giuliano	Panariagroup	63,617	13,685		77,302	Direct	Property
		7,880			7,880	Spouse	Property
Mussini Emilio	Panariagroup	139,436			139,436	Direct	Property
		13,080			13,080	Spouse	Property
Mussini Paolo	Panariagroup	10,000		9,000	1,000	Direct	Property
Palandri Enrico	Panariagroup	-			-	Direct	Property
Tunioli Roberto	Panariagroup					Direct	Property
Onofri Paolo	Panariagroup	-			-	Direct	Property
Bonfiglioli Sonia	Panariagroup	-			-	Direct	Property
Mussera Francesca	Panariagroup	-			-	Direct	Property
Ascari Pier Giovanni	Panariagroup	-			-	Direct	Property
Pincelli Vittorio	Panariagroup	-			-	Direct	Property
Totale		**1,320,739**	**94,962**	**324,262**	**1,091,439**		

ATTACHMENTS

- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet at 31 December 2014
- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet at 31 December 2013
- Reconciliation between the summary of cash flows and the IFRS-format cash flow statement

Allocation of the 2014 net result

We propose to Shareholders' Meeting to carry forward current year loss.

We ask that you vote in favour of approval of the financial statements together with this Directors' Report.

.

The Chairman

Sassuolo, 13 March 2015 ***Mussini Emilio***

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
figures at 12/31/2014

STATEMENT OF FINANCIAL POSITION - IFRS

ASSETS	12/31/2014	RIF
CURRENT ASSETS	**129,850**	
Inventories	67,745	(A)
Trade Receivables	53,102	(B)
Due from tax authorities	3,258	(C)
Other current assets	4,725	(D)
Cash and cash equivalents	1,020	(E)
NON-CURRENT ASSETS	**154,083**	
Goodwill	-	(F)
Intangible assets	746	(G)
Property, plant and equipment	38,022	(H)
Financial assets	90,219	(I)
Deferred tax assets	11,647	(J)
Other non-current assets	13,449	(L)
TOTAL ASSETS	**283,933**	

LIABILITIES AND EQUITY	12/31/2014	RIF
CURRENT LIABILITIES	**93,292**	
Due to banks and other sources of finance	36,395	(M)
Trade payables	36,835	(N)
Due to tax authorities	2,427	(O)
Other current liabilities	17,635	(P)
NON-CURRENT LIABILITIES	**46,974**	
Employee severance indemnities	6,501	(Q)
Deferred tax liabilities	2,118	(R)
Provisions for risks and charges	3,704	(S)
Due to banks and other sources of finance	32,726	(T)
Other non-current liabilities	1,925	(U)
TOTAL LIABILITIES	**140,266**	
EQUITY	**143,667**	
Share capital	22,678	(V)
Reserves	123,509	(W)
Net profit (loss) for the year -	2,520	(X)
TOTAL LIABILITIES AND EQUITY	**283,933**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	12/31/2014	RIF
Inventories	67,745	(A)
Trade Receivable	53,102	(B)
Other current assets	7,983	(C)+(D)
CURRENT ASSETS	**128,830**	
Trade Payables	(36,835)	(N)
Other current liabilities	(20,062)	(O) + (P)
CURRENT LIABILITIES	**(56,897)**	
NET WORKING CAPITAL	**71,933**	
Goodwill	0	(F)
Intangible assets	746	(G)
Property, plant and equipment	38,022	(H)
Equity Investments and other financial assets	90,219	(I)
FIXED ASSETS	**128,987**	
Receivables due beyond 12 months	13,449	(L)
Employee severance indemnities	(6,501)	(Q)
Provision for risk and charge and deferred taxes	5,825	(R)+(S)+(J)
Other liabilities due beyond 12 months	(1,925)	(U)
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**10,848**	
NET CAPITAL EMPLOYED	**211,768**	
Short term financial assets	(1,020)	(E)
Short term financial indebtedness	36,395	(M)
NET SHORT TERM FINACIAL INDEBTEDNESS	**35,375**	
Mid-Long term financial debt	32,726	(T)
NET FINANCIAL POSITION	**68,101**	
Equity	143,667	(V)+(W)+(X)
EQUITY	**143,667**	
TOTAL SOURCES OF FOUNDS	**211,768**	

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position figures at 12/31/2013

STATEMENT OF FINANCIAL POSITION - IFRS

ASSETS	12/31/2013	RIF
CURRENT ASSETS	**141,943**	
Inventories	72,145	(A)
Trade Receivables	53,100	(B)
Due from tax authorities	3,451	(C)
Other current assets	4,389	(D)
Cash and cash equivalents	8,858	(E)
NON-CURRENT ASSETS	**161,017**	
Goodwill	-	(F)
Intangible assets	647	(G)
Property, plant and equipment	39,773	(H)
Financial assets	90,219	(I)
Deferred tax assets	10,206	(J)
Other non-current assets	20,172	(L)
TOTAL ASSETS	**302,960**	

LIABILITIES AND EQUITY	12/31/2013	RIF
CURRENT LIABILITIES	**93,848**	
Due to banks and other sources of finance	42,659	(M)
Trade payables	32,907	(N)
Due to tax authorities	2,334	(O)
Other current liabilities	15,948	(P)
NON-CURRENT LIABILITIES	**62,428**	
Employee severance indemnities	6,021	(Q)
Deferred tax liabilities	2,549	(R)
Provisions for risks and charges	3,436	(S)
Due to banks and other sources of finance	48,193	(T)
Other non-current liabilities	2,229	(U)
TOTAL LIABILITIES	**156,276**	
EQUITY	**146,684**	
Share capital	22,678	(V)
Reserves	120,256	(W)
Net profit (loss) for the year	3,750	(X)
TOTAL LIABILITIES AND EQUITY	**302,960**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	12/31/2013	RIF
Inventories	72,145	(A)
Trade Receivable	53,100	(B)
Other current assets	7,840	(C)+(D)
CURRENT ASSETS	**133,085**	
Trade Payables	(32,907)	(N)
Other current liabilities	(18,282)	(O) + (P)
CURRENT LIABILITIES	**(51,189)**	
NET WORKING CAPITAL	**81,896**	
Goodwill	0	(F)
Intangible assets	647	(G)
Property, plant and equipment	39,773	(H)
Equity Investments and other financial assets	90,219	(I)
FIXED ASSETS	**130,639**	
Receivables due beyond 12 months	20,172	(L)
Employee severance indemnities	(6,021)	(Q)
Provision for risk and charge and deferred taxes	4,221	(R)+(S)+(J)
Other liabilities due beyond 12 months	(2,229)	(U)
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**16,143**	
NET CAPITAL EMPLOYED	**228,678**	
Short term financial assets	(8,858)	(E)
Short term financial indebtedness	42,659	(M)
NET SHORT TERM FINACIAL INDEBTEDNESS	**33,801**	
Mid-Long term financial debt	48,193	(T)
NET FINANCIAL POSITION	**81,994**	
Equity	146,684	(V)+(W)+(X)
EQUITY	**146,684**	
TOTAL SOURCES OF FOUNDS	**228,678**	

RECONCILIATION BETWEEN THE SUMMARY OF CASH FLOWS AND THE IFRS-FORMAT 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-format cash flow statement measures the change in short-term net financial indebtedness.

		12/31/2014	
	Securities	-	
	Cash and cash equivalents	(1,020)	
(1)	**Short-term financial assets**	**(1,020)**	
(2)	Due to banks	11,501	
	Current portion of long-term loans	24,894	
	Leases	-	
	Short-term financial indebtedness	**36,395**	
	Non-current portion of long-term loans	32,726	
	Leases	-	
	Long-term financial indebtedness	**32,726**	
(3)	**Net financial indebtedness**	**68,101**	
(1)+(2)	**Net short-term financial indebtedness**	**10,481**	**= (X)**
	(as reported in IFRS cash flow statement)		
(3)	**Total net financial position**	**68,101**	**= (Z)**
	(as reported in summary of cash flow contained in the Directors' Report)		

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

PANARIAGROUP

FINANCIAL STATEMENT

CASH FLOW STATEMENT - IFRS

(THOUSAND OF EURO)

(in thousands of euro)	December, 2014	
A - OPERATIONS		
Net result of the period	(2,520)	A
Amortisation and impairment	10,016	B
Deferred tax liabilities (assets)	(1,872)	C
Net change in Employee severance indemnities	480	D
Net change in provisions	(1,479)	E
Revaluation and write-down of the value of equity investments	-	F
Dividends by controlled company not yet paid	-	G
Cash flow (absorption) from operations prior to changes in working capital	*4,625*	
(Increase)/(decrease) in trade receivables	625	
(Increase)/(decrease) in inventories	5,521	
(Increase)/(decrease) in trade payables	3,928	
Net change in other assets/liabilities	1,331	
Cash flow (absorption)from operations due to changes in working capital	*11,405*	H
Total (A) Cash flow from operations	**16,030**	
B - INVESTMENT ACTIVITY		
Net investment in tangible assets	(7,909)	J
Net investment in intangible assets	(455)	K
Net investment in financial assets	-	I
Total (B) Cash Flow /absorption) from investment activities	**(8,364)**	
C - FINANCING ACTIVITY		
Increase in capital		
Distribution of dividends		
Other changes in equity	(497)	L
(Purchase) Sale of treasury shares	-	N
Net change in loans	(15,743)	
Net change in intercompany loans	6,724	M
Total (C) Cash Flow (absorption) from financing activities	**(9,516)**	
Opening net cash (indebtedness)	**(8,631)**	
Net change in short-term net cash (indebtedness) (A+B+C)	**(1,850)**	
Closing net cash (indebtedness)	**(10,481)**	(X)

Financial cash flow

(thousands euro)

	31/12/2014	
Net financial position (debt) - beginning	**(81,994)**	
Net Result for the period	(2,520)	A
D & A	10,016	B
Non monetary changes	(2,871)	C+D+E+F+G
Internal operating Cash flow	**4,625**	
Changes in net working capital	11,405	H
Changes in Equity Investments	0	I
Net investments	(8,364)	J+K
Changes in intercompany loans	6,724	M
Changes in Equity	(497)	L+N
Net financial position (debt) - final	**(68,101)**	(Z)

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

FINANCIAL STATEMENTS

PANARIAGROUP Industrie Ceramiche S.p.A.

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)

Rif	ASSETS	12/31/2014	12/31/2013
	CURRENT ASSETS	**129,849,934**	**141,943,374**
1.a	Inventories	67,744,951	72,145,654
1.b	Trade Receivables	53,101,609	53,100,198
1.c	Due from tax authorities	3,258,067	3,450,517
1.d	Other current assets	4,724,912	4,389,007
1.e	Cash and cash equivalents	1,020,394	8,857,998
	NON-CURRENT ASSETS	**154,082,710**	**161,016,634**
2.a	Intangible assets	745,542	647,467
2.b	Property, plant and equipment	38,022,443	39,772,642
2.c	Financial assets	90,218,976	90,219,132
2.d	Deffered tax assets	11,646,994	10,205,677
2.e	Other non-current assets	13,448,755	20,171,716
	TOTAL ASSETS	**283,932,644**	**302,960,008**

	LIABILITIES	12/31/2014	12/31/2013
	CURRENT LIABILITIES	**93,292,664**	**93,849,163**
3.a	Due to banks and other sources of finance	36,395,432	42,659,294
3.b	Trade payables	36,834,570	32,907,062
3.c	Due to tax authorities	2,427,224	2,334,404
3.d	Other current liabilities	17,635,438	15,948,403
	NON-CURRENT LIABILITIES	**46,974,193**	**62,427,748**
4.a	Employee severance indemnities	6,500,865	6,020,928
4.b	Deferred tax liabilities	2,117,855	2,548,651
4.c	Provisions for risks and charges	3,703,575	3,435,760
4.d	Due to banks and other sources of finance	32,726,497	48,193,283
4.e	Other non-current liabilities	1,925,401	2,229,126
	TOTAL LIABILITIES	**140,266,858**	**156,276,911**
5	**EQUITY**	**143,665,787**	**146,683,097**
	Share capital	22,677,646	22,677,646
	Reserves	123,508,522	120,255,577
	Net profit for the year	(2,520,381)	3,749,874
	TOTAL LIABILITIES AND EQUITY	**283,932,644**	**302,960,008**

It should be noted that, for a more homogeneous view of the data, with respect to last year's financial statements, in the 2013 column, an amount of Euro 908,595 has been reclassified from the item "Other current liabilities" to the item "Other non-current liabilities", with reference to the portion of Deferrals maturing after one year.

PANARIAGROUP Industrie Ceramiche S.p.A.

INCOME STATEMENT

(THOUSANDS OF EURO)

Rif		12/31/2014		12/31/2013	
6.a	**REVENUES FROM SALES AND SERVICES**	**157,487,426**	**97.7%**	**156,058,738**	**103.0%**
	Change in inventories of finished products	(3,629,405)	-2.3%	(11,022,592)	-7.3%
6.b	Other revenues	7,396,104	4.6%	5,487,749	3.6%
11.	Income from unexpected events	–	0.0%	1,061,615	0.7%
	VALUE OF PRODUCTION	**161,254,125**	**100.0%**	**151,585,510**	**100.0%**
7.a	Raw materials	(39,043,349)	-24.2%	(35,660,984)	-23.5%
7.b	Services, leases and rentals	(68,793,810)	-42.7%	(65,618,888)	-43.3%
	of whic, related party transactions	*(5,469,416)*	*-3.4%*	*(5,408,910)*	*-3.6%*
7.c	Personel costs	(46,615,678)	-28.9%	(43,765,871)	-28.9%
7.d	Other operating expenses	(1,833,919)	-1.1%	(1,831,799)	-1.2%
11.	Costs from unexpected events	–	0.0%	(962,510)	-0.6%
	PRODUCTION COSTS	**(156,286,755)**	**-96.9%**	**(147,840,052)**	**-97.5%**
	GROSS OPERATING PROFIT	**4,967,369**	**3.1%**	**3,745,458**	**2.5%**
8.a	Amortisation and depreciation	(10,015,922)	-6.2%	(10,189,318)	-6.7%
8.b	Provisions and writedowns	(1,064,653)	-0.7%	(2,427,003)	-1.6%
11.	Provisions from unexpected events	–	0.0%	–	0.0%
	NET OPERATING PROFIT	**(6,113,206)**	**-3.8%**	**(8,870,863)**	**-5.9%**
9.a	Financial income (expense)	2,837,215	1.8%	9,543,802	6.3%
	PRE-TAX PROFIT	**(3,275,991)**	**-2.0%**	**672,939**	**0.4%**
10.a	Income taxes	755,610	0.5%	3,076,935	2.0%
	NET PROFIT	**(2,520,381)**	**-1.6%**	**3,749,874**	**2.5%**
	BASIC AND DILUTED EARNING PER SHARE	**(0.056)**		**0.083**	

PANARIAGROUP

STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EURO)

	12/31/2014	12/31/2013
NET PROFIT (LOSS) FOR THE PERIOD	**(2,520,381)**	**3,749,874**
Other components of comprehensive income that will be reclassified later to after-tax profit	**0**	**0**
Other components of comprehensive income that will NOT be reclassified later to after-tax profit	**(496,930)**	**(69,153)**
Joint-Venture losses- Applying the Equity Method of accounting	37,395	(89,153)
(loss) Net Profit from revaluation of defined benefits and plans	(534,325)	20,000
COMPREHENSIVE INCOME FOR THE PERIOD	**(3,017,311)**	**3,680,721**

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.
FINANCIAL STATEMENT
CASH FLOW STATEMENT - IFRS
(THOUSANDS OF EURO)

(thousands of Euro)	**December, 31 2014**	**December, 31 2013**
A - OPERATIONS		
Net Results of the period	(2,520)	3,751
Ammortisation, depreciation and impairments	10,016	10,189
Deferred tax liabilities (assets)	(1,872)	(3,634)
Net change in the provision for serverance indemnities	480	(273)
Net change in provisions	(1,479)	(662)
Investments depreciation	-	(12,081)
Cash flow (absorption) from operations prior to changes in working capital	*4,625*	*(2,710)*
(Increase)/Decrease in trade receivables	625	4,098
(Increase)/Decrease in inventories	5,521	11,768
(Increase)/Decrease in trade payables	3,928	(8,676)
Net change in other current assets/liabilities	1,331	(26)
Cash flow (absorption) from operations due to changes in working capital	*11,405*	*7,164*
TOTAL (A) CASH FLOW FROM OPERATIONS	**16,030**	**4,454**
B - INVESTMENT ACTIVITY		
Net investment in tangible assets	(7,909)	(10,221)
Net investment in intangible assets	(455)	(291)
Net investment in financials assets	-	(245)
TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY	**(8,364)**	**(10,757)**
C - FINANCING ACTIVITY		
Increase in capital		
Distribution of dividends		
Other changes in equity	(497)	(69)
(Purchase) Sale of treasury shares		
Net change in loans	(15,743)	(2,085)
Net change in other financing activities/liabilities		
Net change in intercompany loans	6,724	8,890
TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES	**(9,516)**	**6,736**

Opening net cash (indebtedness)	**(8,631)**	**(9,063)**
Net change in net short-term cash (indebtness) (A+B+C)	**(1,850)**	**433**
Closing net cash (indebtness)	**(10,481)**	**(8,631)**
Supplementary information		
Interests paid	1,194	1,417
Income taxes paid	659	784

The net cash (indebtness) position includes cash and cash equivalents, incluiding bank deposits and overdrafts, but excluding the current portion of long-term loans

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

Statement of changes in equity from 1 January 2013 to 31 December 2014

(THOUSANDS OF EURO)	*Share capital*	*Share premium reserve*	*Revaluation reserve*	*Legal reserve*	*Other reserves*	*Net profit (loss of the period)*	*Total equity*
Balance as of 12.31.2013	**22,678**	**60,784**	**4,493**	**3,581**	**47,664**	**3,802**	**143,002**
Total gains (losses) booked directly to equity						3,750	3,750
Other comprehensive profit (loss) (**)					(69)		(69)
Total gains (losses) booked directly to equity					**(69)**	**3,750**	**3,681**
Allocation of net profit for year 2012				190	3,612	(3,802)	
Balance as of 12.31.2013	**22,678**	**60,784**	**4,493**	**3,771**	**51,207**	**3,750**	**146,683**
Balance as of 01.01.2014	**22,678**	**60,784**	**4,493**	**3,771**	**51,207**	**3,750**	**146,683**
Total gains (losses) booked directly to equity						(2,520)	(2,520)
Other comprehensive profit (loss)					(497)		(497)
Total gains (losses) booked directly to equity					**(497)**	**(2,520)**	**(3,017)**
Allocation of net profit for year 2013				187	3,563	(3,750)	
Balance as of 12.31.2014	**22,678**	**60,784**	**4,493**	**3,958**	**54,273**	**(2,520)**	**143,666**

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

EXPLANATORY NOTES

INTRODUCTION

Panariagroup Industrie Ceramiche S.p.A. (the "Company") is a joint-stock company incorporated in Italy and registered in the Companies Register of Modena. It has fully paid-in share capital of Euro 22,677,645.50 and its registered offices are in Via Panaria Bassa 22/A, Finale Emilia (Modena), Italy. It is listed on the STAR segment of the Italian Stock Exchange.

The Company produces and sells ceramic tiles for floors and wall coverings under five distinctive brand names (Panaria, Lea, Cotto d'Este, Fiordo and Blustyle) that are sold in more than 60 countries.

The Company holds controlling interests recorded in the financial statements at cost and, accordingly, has prepared Group consolidated financial statements. These financial statements provide adequate supplementary disclosures on the financial position and results of the Company and the Group.

The financial statements for the year ended 31.12.14 were drafted in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, and with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005. The term IFRS is understood as including all of the revised international accounting standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The accounting principles and reporting formats used for preparing these consolidated financial statements do not differ from those applied since adopting IFRS, with the exception of the newly introduced standards and the amendments indicated below in these explanatory notes.

The financial statements include:

- the balance sheet as at 31 December 2014, compared with the balance sheet as at 31 December 2013. In particular, the balance sheet has been drawn up in a declining liquidity format, as decided at the time of the transition to IFRS, with current and non-current assets and liabilities shown separately based on a 12-month operating cycle.

  In addition, as required by CONSOB resolution 15519 of 27 July 2006, the effects of any significant related party transactions are shown separately on the face of the balance sheet.

- the income statement for 2014, compared with the one for 2013.

  Note that, as decided at the time of the transition to IFRS, the income statement shows the following intermediate results, even if they are not accepted by IFRS as a valid accounting measurement, because the Company's management is of the opinion that they provide important information for an understanding of the results for the period:

- *Gross operating margin:* this is made up of the pre-tax result before financial income and expenses, depreciation and amortisation, provisions and impairment charges on assets made during the period and provisions and impairment charges due to the effects of the earthquake;
- *Net operating margin:* this is made up of the pre-tax result before financial income and expenses;
- *Pre-tax profit (loss):* this is made up of the result for the period before income taxes.

In order to clearly present the impact on the results of the earthquake that hit Emilia Romagna in May 2012, some specific captions have been included in the income statement:

- in the “Value of production” section a row has been added called ”Income from extraordinary events” which encompasses the components of value of production pertaining to this event (insurance pay-outs and change in inventories of finished products), with the exception of the tax effects;
- in the “Cost of production” section a row has been added called “Cost of extraordinary events” which encompasses the components of cost of production incurred as a consequence of the earthquake (restoration costs, change in inventories of raw materials and semi-finished products, etc.), gross of the tax effect;
- in the “Provisions, write-downs and depreciation and amortisation” section a line has been added called “Provisions for extraordinary events” which has been used for the classification of expenses still to be incurred for the completion of restoration to their original state of buildings and plants damaged by the earthquake, gross of the tax effect.

This approach has been taken in accordance with the requirements of paragraph 83 of "IAS 1 Presentation of Financial Statements": *“Additional line items, headings and sub-totals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity’s financial performance”.*

As required by Consob resolution 15519 of 27 July 2006, the effects of any significant related party transactions are shown separately on the face of the income statement.

CONSOB resolution 15519 of 27 July 2006 also requires separate disclosure on the face of the income statement, under costs or revenues, of any significant components of income and/or expense deriving from non-recurring events or transactions or arising from transactions or events that are not repeated frequently in the normal course of business.

- The statement of comprehensive income for 2014 with comparative figures for the year 2013, presented in accordance with the requirements of IAS 1 revised.

- the cash flow statement for 2014 and 2013. The indirect method has been used in drawing up the cash flow statement, which means that the profit or loss for the period has been adjusted for the effects of transactions of a non-monetary nature, for any deferral or provision for previous or future years' operating receipts or payments, and for any elements of revenue or cost related to the cash flows deriving from investment or financial activity;

- the statement of changes in equity from 01.01.13 to 31.12.14;
- the explanatory notes (with related attachments).

The currency used to draw up the financial statements of Panariagroup Industrie Ceramiche S.p.A. for the period 1 January – 31.12.14 is the euro.

1) ACCOUNTING PRINCIPLES

Accounting policies

General principles

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value, and on a going-concern basis. In fact, despite the difficult economic and financial conditions, the Group has determined that there are no uncertainties about business continuity, also due to the action taken to adapt to the different level of demand, as well as to the industrial and financial flexibility of the Group itself.

The accounting policies used to prepare the consolidated financial statements for the year ended 31 December 2014 do not differ from those used to draft the consolidated financial statements for the year ended 31 December 2013, with the exception of the accounting standards, amendments and interpretations applicable from 1 January 2014.

In particular, the following amendments were made.

- IFRS 10 "*Consolidated financial statements*" and IAS 27 "*Separate financial statements* (revised in 2011)". IFRS 10 replaces part of IAS 27 "Consolidated financial statements and Separate financial statements" and also includes the problems raised in SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all companies, including special purpose entities. The changes introduced by IFRS 10 require management to make the relevant discretional judgments to determine which companies are subsidiaries and, therefore, which ones need to be consolidated by the parent company.
  The amendment, following the initial approval of the standard also provides an exception to consolidation for entities that fall under the definition of an investment entity pursuant to IFRS 10 - Consolidated Financial Statements. This exception to consolidation requires investment entities to measure subsidiaries at fair value recorded in the income statement. Following the introduction of this new standard, IAS 27 remained limited to the accounting of subsidiaries, jointly controlled entities and associates in the separate financial statements. These amendments are not applied in the Group's financial statements.

- *IFRS 11 "Joint Arrangements". This standard replaces IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities - Non-monetary contributions by venturers". IFRS 11 eliminates the option of accounting for jointly controlled entities using the proportional consolidation method. Jointly controlled companies that meet the definition of a joint venture must instead be accounted for using the equity method. As a result of the new IFRS 11 and IFRS 12, IAS 28 was renamed "Investments in associates and joint ventures",* and describes the application of the equity method for investments in jointly controlled companies, in addition to associates. The new provisions introduced by IFRS 11 and IFRS 12 had no impact on the Group's financial position and results.

- IFRS 12 "*Disclosure on interests in other entities*". This standard includes all disclosure provisions previously included in IAS 27 relating to the consolidated financial statements, as well as all the disclosure provisions of IAS 31 and IAS 28 relating to a company's investments in subsidiaries, joint arrangements, associates and structured entities.
- IAS 32 *"Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32".* The amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not impact the Group's financial statements.
- IAS 36 "*Recoverable amount disclosures for non-financial assets - Amendments to IAS 36*" These amendments remove the unintended consequences of IFRS 13 on the disclosure required by IAS 36. In addition, these amendments require disclosure of the recoverable value of the assets or CGU for which an impairment loss has been recognised or "reversed" in the year.
- IAS 39 "*Novation of derivatives and continuation of hedge accounting – Amendments to IAS 39*" The amendments aim to regulate situations in which a derivative, which has been designed as a hedging instrument, is novated from one counterparty to a central party as a consequence of laws or regulations. Therefore, hedge accounting can continue, despite the novation, something that would not be permitted without the amendment. These amendments, which must be applied retrospectively, had no impact on the consolidated financial statements since the Group did not establish its own derivatives in the current year or in previous years.

The standards, amendments and interpretations are indicated below which, at the date of drafting of the consolidated financial statements, had already been issued but not yet entered into force.
The Group did not make provision for the early adoption of any standard, interpretation or improvement issued but not yet entered into force.

- IFRS 9 – Financial instruments. In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, which reflects all phases of the project relating to financial instruments and replaces IAS 39 – Financial instruments: Recognition and measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification, valuation, impairment and hedge accounting. IFRS 9 is effective for years starting on or after 1 January 2018. The standard must be applied retrospectively, but it is not necessary to provide comparative information. The early application of the previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the initial application date is before 1 February 2015.

- IFRS 14 Regulatory Deferral Accounts. IFRS 14 is an optional standard which allows an entity, whose activities are subject to regulated rates, to continue to apply, at the time of first-time adoption of IFRS, the previous accounting standards adopted for amounts relating to rate regulation. Entities that adopt IFRS 14 must present the balances relating to rate regulation in separate lines of the statement of financial position and present movements in these accounts in separate lines of the statement of profit or loss for the year and other comprehensive income. The standard requires information to be provided on the nature, associated risks, the rate regulation and the effects of rate regulation on the entity's financial statements. IFRS 14 is effective for years starting on or after 1 January 2016.
- IFRS 15 – Revenue from contracts with customers. The IFRS was issued in May 2014 and introduces a new five-step model which will apply to revenues from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount which reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard provides a more structured approach to the recognition and measurement of revenues, replacing all present requirements in the other IFRSs regarding revenue recognition. IFRS 15 is effective for years starting on or after 1 January 2017, with full or amended retrospective application. Early application is permitted.
- Amendments to IFRS 11 – Joint arrangements: Acquisition of an interest. These amendments require a joint operator who accounts for the acquisition of an interest in a joint operation, whose activities constitute a business, to apply the relevant standards of IFRS 3 regarding the accounting of business combinations. The amendments also clarify that, in the event joint control is maintained, the previously held interest in a joint operation is not re-measured on the acquisition of an additional interest. In addition, an IFRS 11 scope exclusion was added to clarify that the amendments do not apply when the parties that share control, including the reporting entity, are under the common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial and any additional interest in the joint operation. The amendments must be applied prospectively for years starting on or after 1 January 2016; early adoption is permitted.
- Amendments to IAS 16 and to IAS 38: Clarification of acceptable methods of amortisation and depreciation. The amendments clarify the contents of IAS 16 and IAS 38: Revenues reflect a model of economic benefits generated by management of a business (which the asset is part of), rather than the consumption of the economic benefits from use of the asset. The result is a revenue-based method cannot be used to calculate depreciation for property, plant and equipment and could only be used in extremely limited circumstances for the amortisation of intangible assets. The amendments must be applied prospectively for years starting on or after 1 January 2016; early adoption is permitted.
- Amendments to IAS 19 - Employee benefits: Employee contributions. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent from the number of years of service, an entity may recognise these contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to service periods. This amendment is effective for years starting on or after 1 July 2014.
- Amendments to IAS 27: Equity method in the separate financial statements. The amendments allow entities to account for investments in subsidiaries, joint ventures

and associates using the equity method in their separate financial statements. Entities already applying IFRS electing to change to the equity method in their separate financial statements must apply the change retrospectively. The amendments are effective for years starting on or after 1 January 2016; early adoption is permitted.

- Amendments to IAS 1: disclosure initiative. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting financial statements. These amendments are awaiting approval and will apply to years starting on or after 1 January 2016.
- Amendments to IFRS 10 and to IAS 28: sale or contribution of assets between an investor and its associate or joint venture. The amendment aims to eliminate the conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction that involves an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This amendment is awaiting approval and will apply to years starting on or after 1 January 2016.
- IFRIC 21*"Levies"*. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the applicable legislation, occurs. For payments that are due only when a given minimum threshold is reached, the liability is only recognised when said threshold is reached. IFRIC 21 must be applied retrospectively. This interpretation applies for years starting on or after 1 January 2015.

We also point out that, on 12 December 2013, the IASB published the documents “Annual Improvements to IFRSs: 2010 – 2012 cycle” and “Annual Improvements to IFRSs: 2011 – 2013 cycle” which acknowledge the amendments to standards as part of the annual improvement process, concentrating on amendments deemed to be necessary, but not urgent.
The main changes that may be relevant for the Group refer to:

- IFRS 2 - Share-based Payments: contain changes to the definition of "vesting condition" and " market condition" and added further definitions of "performance condition" and "service condition", for the detection of benefit plans share-based.
- IFRS 3 - Business Combinations: changes clarify that a contingent consideration classified as an asset or liability is to be measured at fair value at each balance sheet date, with the effect reported in the income statement, regardless of the fact that the contingent consideration is a financial instrument or non-financial asset or liability. In addition, it is clarified that the standard in question is not applicable to all the operations involving the establishment of a joint venture.
- IFRS 8 - Operating Segments: changes require entities to provide information on the valuations made by management in applying the criteria of aggregation of operating segments, including a description of the aggregated operating segments and economic indicators considered in determining whether such operating segments have “similar economic characteristics”. In addition, the reconciliation of the entity’s total operating segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.
- IFRS 13 - Fair value measurement: changes to the Basis for Conclusions in order to clarify that with the release of IFRS 13, and subsequent amendments to IAS 39 and IFRS 9, the possibility of recording short-term trade receivables and payables without recognising the effects of discounting remains possible, where such effects are immaterial.

- IFRS 40: Clarifications on the interrelationship of IFRS 3 “Business Combinations” and IAS 40 – Investment property, when classifying property as investment property or owner-occupied property.

Entities are to apply the amendments, at the latest, from the date of the start of their first financial year commencing on or after 1 February 2015.

Finally, some improvements were issued which acknowledge the amendments to standards as part of the annual improvement process, concentrating on amendments deemed to be necessary, but not urgent.

The main amendments, still awaiting approval, relate to the following standards:

- IFRS 5, introducing a clarification for cases in which the asset disposal method changes, reclassifying said asset from held for sale to held for distribution;
- IFRS 7, clarifies if and when servicing agreements constitute continuing involvement for the purposes of applying the transfer disclosures;
- IAS 19, clarifies that the currency of the bonds used as a reference to estimate the discount rate must be the same as the one in which the benefits will be paid;
- IAS 34, clarifies the meaning of “elsewhere” in cross referencing.

The main accounting policies applied are described below.

Intangible assets

Intangible assets consist of non-monetary elements, without any physical substance, that are clearly identifiable and able to generate future economic benefits. Such elements are booked at purchase or production cost, including directly attributable expenses incurred to permit the asset to be used, net of accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is charged systematically over its estimated useful life.

Bought-in software licences are capitalised on the basis of the costs incurred for their purchase and to bring them into use. Amortisation is calculated on a straight-line basis over their estimated useful life.

The costs associated with the development and maintenance of software programs are accounted for as a cost when incurred. The costs directly associated with the production of unique and identifiable software products that are under the company's control and which will generate future economic benefits over a time horizon of more than one year are accounted for as intangible assets.

Software is amortised on a straight-line basis over its useful life, in the absence of specific indications, considered to be 5 years.

Internally generated intangible assets - research and development costs

Research costs are booked to the income statement in the period in which they are incurred.

Internally generated intangible assets that derive from the Panaria group's product development efforts are only capitalised if all of the following conditions are satisfied:

- the asset is identifiable (e.g. software or new processes);
- it is probable that the asset will generate future economic benefits;
- the development costs of the asset can be reliably measured.

Such intangible assets are amortised on a straight-line basis over the estimated useful lives of the related products.

When internally generated assets cannot be recorded in the financial statements, the development costs are charged to the income statement in the period in which they are incurred.

Trademarks and patents

Patents and trademarks are initially booked at purchase cost and amortised on a straight-line basis of their useful lives; in the absence of specific indications, for trademarks a useful life of 10 years is considered.

Property, plant and equipment

Property, plant and equipment are booked at historical cost, net of accumulated depreciation and any write-downs due to impairment. Cost includes the best estimate, if significant, of the costs involved in dismantling and removing the asset and the costs involved in reclaiming the site where the asset was located, if these come under the provisions of IAS 37.

Any costs incurred after the purchase are only capitalised if they add to the future economic benefits inherent in the asset to which they refer. All other costs are booked to the income statement when incurred. In particular, ordinary and/or cyclical repairs and maintenance costs are booked directly to the income statement in the period they are incurred.

Depreciation is charged on a straight-line basis against the cost of the assets, net of their residual values, over their estimated useful life, applying the following rates (main categories):

Category	Rate
Buildings	4%
Plant and machinery	10 %-15 %
Industrial equipment	25 %
Electronic office machines	20% - 25%
Furniture and showroom furnishings	10% - 15%
Vehicles	25%

Land is not depreciated.

Depreciation starts when the assets are ready for use.

If a depreciable asset is made up of distinctly identifiable elements that have significantly different useful lives, depreciation is charged separately on each of the elements making up the asset, based on the so-called component approach.

Assets held on the basis of finance leases are depreciated over their estimated useful life, in the same way as for assets owned, or over the period of the lease contract if this is less.

Gains and losses on the sale or disposal of fixed assets are calculated as the difference between the sale proceeds and the net book value of the asset, and are to be booked to the income statement of the period in which the sale or disposal takes place.

Equity investments in subsidiaries

Equity investments in subsidiaries are stated at historical cost.

Equity investments in jointly controlled entities

These are entities over which the Group has contractually agreed sharing of control, or where there are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control.
Equity investments in jointly controlled entities are accounted for under the equity method.
As at 31 December 2014, the Group held a joint venture company (JVC). This equity investment, was valued in the consolidated financial statements for the year ended 31.12.14 according to the equity method, using the last set of approved financial statements of the investee company as a reference.

For these equity investments, if joint control should be lost, the difference between (a) the fair value of any share retained and the consideration received for the sale and (b) the book value of the investment on the date control is lost, will be booked to the income statement.

Impairment losses

At each balance sheet date, the Company reviews the book value of its tangible, intangible and financial assets for any signs that these assets may have suffered a loss in value. In order to verify whether the assets have suffered a loss in value, an estimate is made of the recoverable amount of these assets to determine the amount of any impairment. When it is not possible to estimate the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The recoverable value is the higher of the asset's fair value, less costs to sell, and its value in use. To determine the value in use, the estimated future cash flows are discounted to their present value at a rate net of tax that reflects current market assessments of the time value of money and the specific risks of the business in question.

If the recoverable amount of an asset (or of a CGU) is estimated to be lower than its book value, it is written down to the lower recoverable amount. Impairment losses are booked to the income statement immediately.

When, subsequently, the loss in value ceases to exist or is reduced, the carrying value of the asset is increased up to the new estimate of the recoverable amount, but no higher than the value that would have been determined if no impairment loss had been recognised. The write-back of a loss in value is recognised immediately in profit or loss.

Leases

Leases are classified as finance leases if the terms of the contract substantially transfer all of the risks and rewards of ownership to the lessee. All other contracts are treated as operating leases.

Assets under finance leases are booked as Company assets at their fair value on the date of stipulation of the contract or at the present value of the minimum lease payments, if this is less. The corresponding liability to the lessor is included in the balance sheet as a lease liability. The lease instalment payments are split between principal and interest so as to achieve a constant rate of interest on the residual liability.

The lease instalment costs under operating leases are booked on a straight-line basis over the life of the contract. The benefits received or to be received by way of incentive to take out operating leases are also booked on a straight-line basis over the life of the contract.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes direct materials and, where applicable, direct labour costs, production overheads and other costs incurred to bring the inventories to their current location and condition. Cost is calculated on the basis of the weighted average cost method. Net realisable value represents the estimated selling price less the estimated costs of completion and the costs considered necessary to make the sale.

Trade receivables

Trade receivables are shown at face value less an appropriate write-down to reflect estimated losses on receivables. Appropriate write-downs as an estimate of the amounts that are unlikely to be recovered are booked to the income statement when there is objective evidence that the receivables have suffered impairment. Write-downs are measured as the difference between the carrying value of the receivables and the present value of the estimated future cash flows discounted at the effective rate of interest calculated when the receivables are first booked.

Financial assets

Financial assets are booked to and reversed out of the balance sheet on the basis of the date of purchase or sale and are initially valued at fair value, including any charges directly related to the purchase.

At subsequent balance sheet dates, the financial assets that the Company intends and has the ability to hold to maturity ("securities held to maturity") are shown at amortised cost using the effective interest rate method, net of any write-downs for impairment.

Financial assets other than those held to maturity are classified as being held for trading or available for sale, and are measured at fair value at the end of every period. When financial assets are held for trading, the gains and losses deriving from changes in their fair value are charged to the income statement for the period; for financial assets available for sale, gains and losses deriving from changes in their fair value are booked directly to equity until such time that they are sold or have suffered an impairment; at that moment, the overall gains and losses previously booked to equity are transferred to the income statement for the period.

Cash and cash equivalents

This includes cash on hand, bank current and deposit accounts that are repayable on demand and other highly liquid short-term financial investments that can rapidly be converted into cash and which are not subject to a significant risk of changes in value.

Derivatives

The Company's activities are primarily exposed to financial risks arising from changes in exchange rates. The Company uses derivatives to hedge the risks deriving from foreign exchange fluctuations that might affect commitments that are certain and irrevocable, as well as foreseeable future transactions. Even though these derivatives are not held for trading purposes, but solely to cover exchange rate risks, they do not have the characteristics required by IAS 39 to be defined as hedging derivatives.

Derivatives are recorded at fair value; changes in the fair value of derivatives that do not qualify for hedge accounting are booked to the income statement in the period they arise.

Provisions

Provisions are recognised in the financial statements when the Company has a clear obligation as the result of a past event and it is probable that it will be required to fulfil the obligation. Provisions are made on the basis of management's best estimate of the costs required to fulfil the obligation as of the balance sheet date, and are discounted if the effect is significant.

Post-employment benefits

Payments into defined-contribution pension plans are booked to the income statement in the period in which they are due; payments to Foncer, a supplementary pension scheme, fall into this category, as well as payments of severance indemnities since the start of 2007 under the reform of these indemnities by the Budget Law.

For defined-benefit plans, the cost of the benefits provided is calculated by performing actuarial valuations at the end of each financial period. Liabilities for post-employment benefits shown in the balance sheet consist of the present value of the liabilities for defined-benefit plans adjusted to take account of the actuarial gains and losses that have not yet been recognised and of any past service costs that have not yet been recognised. Any net assets resulting from this calculation are limited to the value of the actuarial losses not yet recognised and to past service costs that have not yet been recognised, plus the net present value of any reimbursements and reductions in future contributions to the plan.

During the current year, the Group applied IAS 19 retroactively in accordance with the transitory provisions set forth by the standard.

In addition to simple clarifications and terminology, the amendments to the standard set forth the obligation of recognising actuarial gains and losses in the statement of comprehensive income, eliminating the possibility of using the corridor method.

The effects on the consolidated balance sheet and income statement of the restatement of the values of previous periods were already outlined in previous sections.

Trade payables

Trade payables are booked at their face value.

Financial liabilities and equity instruments

The financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual agreements that generated them and according to the respective definitions of financial liabilities and equity instruments. The latter are defined as contracts that give a right to benefit from the residual interests in the Company's assets after all liabilities have been deducted. The accounting principles used for specific financial liabilities and equity instruments are indicated below.

Equity instruments

The equity instruments issued by the Company are booked on the basis of the amount received, net of direct issue costs.

Bank loans

Interest-bearing bank loans and overdrafts are booked on the basis of the amounts received, net of any related costs, and subsequently valued at amortised cost, using the effective interest rate method.

Treasury shares

Treasury shares and gains and losses realised on their disposal are booked directly to the equity reserves.

Revenue recognition

Sales of goods are recognised when the goods are shipped and the company has transferred the main risks and rewards of ownership to the customer.

Foreign currency transactions

Transactions in currencies other than the euro are initially booked at the exchange rates ruling on the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in such currencies are restated at period-end exchange rates. Non-monetary assets expressed at fair value that are denominated in a foreign currency are translated at the exchange rates ruling on the date on which the fair values were determined. Exchange differences arising on the settlement of monetary items and their re-measurement at period-end exchange rates are booked to the income statement for the period, except for exchange differences on non-monetary assets expressed at fair value, for which changes in fair value are booked directly to equity, like for the exchange element.

In accordance with IAS 21, exchange differences originating from intragroup foreign currency loans are recognised in profit or loss.

Government grants

Government grants for capital investments are booked to the income statement over the period needed to match them against the related costs, being treated in the meantime as deferred income.
In particular, they are booked when there is reasonable certainty that the company will comply with the requirements for the allocation of funds, and that the grants will be received.

Income taxes

Income taxes for the year are the sum of current and deferred taxes.

Current taxes are based on the taxable result for the year. Taxable income differs from the result shown in the income statement as it excludes positive and negative elements that will be taxed or deducted in other financial years, while it also excludes those items that will never be taxed or deducted for tax purposes. The current tax liability is calculated using the official or effective tax rates ruling at the balance sheet date.

Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of the assets and liabilities shown in the financial statements and the corresponding value for tax purposes used in calculating taxable income, accounted for according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, whereas deferred tax assets are only recognised to the extent that it is considered probable that there will be sufficient taxable income in the future to absorb them. These assets and liabilities are not recognised if the temporary differences derive from goodwill or from the initial recognition (not in business combinations) of other assets or liabilities in transactions that do not have any influence either on the accounting result or on the taxable result.

Deferred tax liabilities are recognised on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, except in those cases where the Company is able to control the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be sufficient taxable income to allow all or part of such assets to be recovered.

Deferred taxes are calculated on the basis of the tax rate that is expected to be in force at the time that the asset is realised or the liability extinguished. Deferred taxes are booked directly to the income statement, except for those relating to items booked directly to equity, in which case the related deferred taxes are also booked to equity.

Significant accounting policies based on the use of estimates

Preparation of the financial statements requires management to apply accounting principles and methods that in certain circumstances necessitate difficult and subjective valuations and estimates based on past experience and assumptions that, on each occasion, are considered reasonable and realistic, depending on the specific circumstances. These estimates and assumptions affect the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the other information provided in the report. The following is a brief description of the accounting principles that, more than others, require greater subjectivity on the part of management in making such estimates and for which a change in the conditions underlying the assumptions made can have a significant impact on the financial statements.

Financial assets – Estimate of the degree of recoverability

The price paid by the Company for corporate acquisitions reflects a goodwill element. Financial assets are tested at least once a year for impairment, in accordance with the provisions of IAS 36, based on forecasts of expected cash flows over coming years. If the future scenarios for the Company and the market turn out to be different from those assumed when developing the forecasts, the value of financial assets may have to be written down.

Inventory valuation and provision for slow-moving and obsolete goods

The Company values its inventories at the lower of cost and market (estimated realisable value), based on evaluations of market trends and making assumptions regarding the future realisability of the value of inventories. If effective market conditions turn out to be less favourable than those foreseen by the Company, the value of inventories may have to be written down.

Provision for bad and doubtful accounts

In order to establish an appropriate level for the provision for bad and doubtful accounts, the Company evaluates the likelihood of receivables being collected based on the solvency of each debtor. The quality of these estimates depends on the availability of up-to-date information on debtors' solvency. If the solvency of debtors were to decline due to the difficult economic environment in certain markets where the Group operates, the value of trade receivables could be subject to additional write-downs.

Deferred tax assets

Deferred tax assets are accounted for on the basis of expectations of taxable income in future years. The valuation of expected income for this purpose depends on factors that vary over time, which can have a significant impact on the value of deferred tax assets.

Contingent liabilities

In relation to legal proceedings, court cases and other disputes, in order to establish an appropriate level for the provisions for risks and charges relating to these contingent liabilities, the Company examines the reasonableness of the claims being made by counterparties and the fairness of its own actions, and evaluates the amount of any damages that might result from the potential outcomes. The Company also consults with its lawyers on the problems involved in the disputes that arise as part of the Company's business activities. The level of the provisions needed to cover contingent liabilities is decided after careful analysis of each problem area. The level of provisions needed is potentially subject to future changes based on developments in each problem area.

Significant non-recurring events and transactions – Atypical and/or unusual transactions

As required by CONSOB Communication DEM/6064293 of 28 July 2006, any significant non-recurring events and transactions or atypical/unusual transactions have to be explained in the notes, disclosing their impact on the Company's balance sheet, financial position, results and cash flow.

Related parties

As required by CONSOB Communication DEM/6064293 of 28 July 2006, the explanatory notes have to explain the impact that related party transactions have on the Company's balance sheet, financial position, results and cash flow.

Financial risks and derivatives

The Company is exposed to a variety of trading and financial risks which are monitored and managed centrally. It does not make systematic use of derivatives to minimise the impact of such risks on its results.

The market risks to which the Company is exposed fall into the following categories:

a) Exchange rate risk

The Company operates on international markets and settles its trading transactions in euro and, where foreign currencies are concerned, principally in US dollars.
Exchange rate risk mainly arises from the sale of finished products to the US market, partially mitigated by the fact that purchases of raw materials, particularly clays, are settled in US dollars.

See the "Financial income and expense" section of these notes for the sensitivity analysis required by IFRS 7.

b) Credit risk

The Company deals only with known, reliable customers. The Company has procedures for assigning credit to its customers that limit the maximum exposure to every position. In addition, the Company has extensive insurance coverage against its receivables from foreign customers.
The Company does not have any significant concentrations of credit risk.

See the "Trade receivables" section of these notes for the composition of trade receivables broken down by due date.

c) Interest rate risk

Risks associated with changes in interest rates refer to loans. Floating-rate loans expose the Company to the risk of fluctuating cash flows associated with interest payments. Fixed-rate loans expose the Company to the risk of change in the fair value of the loans themselves.

The Company’s exposure is mainly to floating-rate debt.

See the "Financial income and expense" section of these notes for the sensitivity analysis required by IFRS 7.

d) Liquidity risk

In its main activities the Company is exposed to a mismatch of cash flows in and out in

terms of timing and volumes, and hence to the risk of not being able to fulfil its financial obligations.
The Company's objective is to ensure that it can fulfil all of its financial obligations at any moment in time, optimising its recourse to external financing. The Company maintains a certain number of lines of credit (see section 3.a "Due to banks and other sources of finance") in order to take advantage of unforeseen business opportunities which may arise or for unforeseen payments, in addition to commitments arising from planned capital expenditure.

Liquidity risk is closely monitored on a daily basis in order to plan for and predict liquidity.

See the comments in section 4.d “Due to banks and other sources of finance” for information regarding the maturities of financial liability contracts.

2) OTHER INFORMATION

Presentation of the explanatory notes

For the purpose of a better understanding, all amounts reported below are stated in thousands of Euro, except where otherwise indicated.

3) COMMENTS ON THE PRINCIPAL ASSET CAPTIONS

1. CURRENT ASSETS

1.a. Inventories

Inventories are analysed as follows at 31.12.14:

	31/12/2014	**31/12/2013**
Raw, ancillary and consumable materials	6,115	6,000
Work in progress	1,636	1,162
Finished products	64,520	69,624
Buildings held for sale	2,480	3,486
Provision for obsolescence	(7,006)	(8,126)
	67,745	**72,146**

The overall value recorded a decrease of Euro 4.4 million (6.1%) compared to 31.12.13. This decrease derives from the Group's decision to optimise the level of net working capital, through major efforts to dispose of stocks and careful production planning.

Inventories of finished products are shown net of a provision for obsolescence of Euro 6,546 thousand at 31 December 2014 (Euro 7,546 thousand at 31.12.13), based on an analysis to estimate the timing of sale and recoverable value of stocks according to historical experience and the market prospects of the various types of goods.

The reduction in the provision for obsolescence reflects intense disposal activities carried out in the year.
The enormous sale of slow-moving finished products, at stock prices, in respect of which an allocation had been made to the provision for slow-moving and obsolete goods as at 31.12.13, made it possible, in evaluating the consistency of the provision at year-end, to release part of it.
The positive economic effect of the reduction in the provision for obsolescence, in line with IAS 2, paragraph 34, was highlighted in the row “Change in inventories of finished products” and implicitly balanced the negative effect of the losses recorded in the year on clearances of obsolete finished products.

Inventories include Euro 2,480 thousand of buildings held for sale (mainly apartments), net of an impairment charge of Euro 460 thousand, based on the estimates of the market value of the assets at the end of the year drawn up by an independent professional.

1.b. Trade receivables

Trade receivables are made up as follows:

	31/12/2014	31/12/2013
Receivables due from third parties	46,782	47,903
Receivables due from subsidiaries	7,418	6,922
Receivables due from related parties	32	32
Due from parent companies	39	39
Provision for bad and doubtful accounts	(1,169)	(1,796)
	53,102	**53,100**

Trade receivables due from third parties at 31.12.14 fell slightly compared to 2013. Receivables due from subsidiaries refer to commercial transactions (sales of tiles) with Gres Panaria Portugal, Florida Tile, Panariagroup USA and Lea North America. It should be noted that these transactions account for only 6.8% of the Company's total turnover.

The item “Receivables” due from third parties” include around Euro 4.1 million in receivables overdue by more than 120 days (equal to roughly 7.5% of total receivables); the provision for bad and doubtful accounts, amounting to Euro 1.2 million, reflects an economic estimate of the recoverable value of total receivables, based on the information available at the time of preparing the financial statements.

Significant “losses on receivables” were registered in the year; therefore, in respect of these positions, the provision for bad and doubtful accounts set up in previous years was used.

The Company did not factor any of its receivables in the year ended 31.12.14.

1.c. Due from tax authorities

The amounts due from tax authorities are made up as follows:

	31/12/2014	31/12/2013
VAT receivable	1,047	843
Income tax receivable	197	127
Other tax receivables	2,014	2,481
	3,258	**3,451**

The Group's VAT position is normally in credit, mainly because of the high proportion of exports.

The item “Income tax receivable” as at 31.12.14 is determined by the excess IRAP advances paid with respect to taxes due.

As from the 2008 tax return (for 2007 income), the Company has been included in the tax group headed up by its ultimate parent Finpanaria S.p.A., which also includes the related company Immobiliare Gemma S.p.A. and the subsidiaries Montanari Francesco S.r.l. and Panariagroup Immobiliare S.r.l..

The IRES income tax receivable or payable is thus a receivable from or payable to the parent company which, in its role as head of the tax group, handles all dealings with the tax authorities.

The item “Other tax receivables“ refers mainly to the IRES for which a refund was requested due to IRAP deductibility in the years 2007 - 2011 (Decree Law 201/2011 art.2).

This balance does not include any items posing problems of collection.

1.d. Other current assets

This caption is made up as follows:

	31/12/2014	31/12/2013
Advances to social security institutions	109	205
Advances to suppliers	119	364
Rebates from suppliers and credit notes to be received	310	78
Receivables due from employees and third parties	228	579
Earthquake grants receivable	485	1,639
Other grants receivable	124	329
Receivables for Energy Efficiency Certificates	307	424
Receivables due from energy income	615	430
Receivables for dividends from subsidiaries	2,000	-
Other	12	11
Total other current receivables	**4,331**	**4,059**
Total current accrued income and prepaid expenses	**394**	**330**
	4,725	**4,389**

The line “Earthquake grants receivable” refers to the claims presented (and accepted) to the Emilia Romagna Region in relation to damages suffered by buildings and plants, as well as delocalisation expenses, following the earthquake in May 2012 and not covered by insurance policies. The receivable decreased due to the collection of some ‘*Stati di Avanzamento’* (progress reports) presented in 2014.

“Receivables for Energy Efficiency Certificates” relate to Certificates already certified at the date of the close of the year by the intermediary that manages the procedure for the recognition of so-called “White Certificates” for the Group.

The item "accrued income and prepaid expenses" mainly relates to miscellaneous costs (interest, trade fairs, promotions, commercial costs, maintenance and rentals) that refer to the next year.

1.e. Cash and cash equivalents

These are made up as follows:

	31/12/2014	31/12/2013
Bank and post office deposits	1,010	8,842
Cheques	-	-
Cash and equivalents on hand	10	16
	1,020	**8,858**

The financial trend in 2014, compared with the year 2013, is shown in the cash flow statement reported in the section of the relevant financial statements.

NON-CURRENT ASSETS

2.a Intangible assets

"Intangible assets" at 31 December 2014 amount to Euro 746 thousand, which is slightly higher than the figure of Euro 647 thousand reported at 31 December 2013.

Changes during the year can be summarised as follows:

	2014	2013
Beginning Balance	**647**	**748**
Additions	455	291
Retirements	-	-
Amortisation charge	(356)	(392)
Ending Balance	**746**	**647**

The changes during the year are reported in attachment 2 to these notes.

2.b Property, plant and equipment

The net book value of property, plant and equipment at the end of the period is as follows

	31/12/2014	31/12/2013
Land and buildings	699	722
Plant and machinery	30,245	31,617
Equipment and other assets	6,932	6,245
Construction in progress	146	1,188
	38,022	**39,772**

Changes during the year can be summarised as follows:

	2014	2013
Beginning Balance	**39,772**	**39,349**
Additions	7,922	10,538
Retirements	(12)	(318)
Amortisation charge	(9,660)	(9,797)

Ending balance	**38,022**	**39,772**

The changes for the year are reported in an attachment.

The main investments in the year were as follows:

- capital expenditure of Euro 0.7 million for investments in the "Mixing" departments
- capital expenditure of Euro 0.7 million for investments in the "Press lines" departments
- capital expenditure of Euro 2.9 million for investments in the "Glazing" departments
- capital expenditure of Euro 0.4 million for investments in the "Furnaces" departments
- capital expenditure of Euro 0.9 million for investments in the "Selection" departments
- capital expenditure of Euro 0.2 million for investments in the "Cutting and rectification" departments
- capital expenditure of Euro 1.0 million for upgrading of "Buildings"
- capital expenditure of Euro 0.9 million in "Equipment and other assets"
- capital expenditure of Euro 0.3 million for investments in generic plants

Following the spin-off of the Company's property assets in 2004, the buildings in which the Company conducts its business are rented, being owned by Immobiliare Gemma S.p.A. (a related party).

Impairment Testing

As stated earlier in the section on Accounting Principles, at least once a year, even if there is no evidence of loss, but always whenever any critical indications of impairment arise, the Company performs impairment tests as required by IAS 36 in order to verify the recoverability of fixed assets recorded in Panariagroup's financial statements.
This testing was performed by comparing the book value of equity, at the date of the test, to the recoverable amount of Panariagroup determined as value in use (equity value).
Panariagroup's equity value was determined as the difference between the enterprise value (present value of cash flow generated by the Company) and the net financial indebtedness at 31 December 2014.

The recoverable amount of each CGU was determined by applying the UDCF ("Unlevered Discounted Cash Flow") model to the cash flows included in the 2015-2019 Business Plan approved by the Board of Directors of the Company on 13 March 2015. A terminal value was calculated at the end of the explicit forecast period, by applying a perpetuity. For the determination of the cash flow on which the terminal value was based, use was made of operating income net of taxation (Net Operating Profit Less Adjusted Tax - NOPLAT) of the last year of the business plan, estimated by management to be an indicator of a "normalised" flow. The growth rate used for the calculation of the perpetuity was prudently set at zero, in line with the rate used in testing the consolidated financial statements, in testing equity investments and in line with testing performed in prior years.
The WACC discount rate of 7.8% is the same as that used in testing the consolidated financial statements and in testing individual equity investments.

The testing did not reveal any situations of impairment or any critical issues.

The Company also prepared a sensitivity analysis to verify the recoverability of equity, also in the event of a worsening of the WACC discount rate and EBITDA, but no critical issues were revealed.

2.c Financial assets

At 31 December 2014, this caption comprises:

	31/12/2014	31/12/2013
Equity investments in subsidiaries	89,862	89,862
Investment in Indian JV	352	352
Other equity investments	5	5
	90,219	**90,219**

"Equity investments in subsidiaries" are made up as follows:

	31/12/2014	31/12/2013
Gres Panaria Portugal S.A.	42,597	42,597
Panariagroup USA	46,729	46,729
Montanari Francesco S.r.l.	496	496
Panariagroup Immobiliare	40	40
	89,862	**89,862**

Set out below is a listing indicating for each controlled entity the information required by point 5 of article 2427 of the Civil Code:

	Share capital K EUR / K USD	Value at Equity Method (1) K EUR	Profit / Loss 2014 KEUR	% held	Amount in the financial statements K EUR
Gres Panaria Portugal S.A	Euro 16,500	50,087	326	100 %	42,597
Panariagroup USA (2) (3)	65,500 USD	43,285	3,771	100 %	46,429
Montanari Francesco S.r.l.	Euro 48	537	18	100 %	496
Panariagroup Immobiliare S.r.l.	Euro 10	29	(5)	100 %	40

(1) These amounts take account of the adjustments needed to comply with the accounting policies used for the preparation of the consolidated financial statements.

(2) The Panariagroup USA figures relate to the sub-consolidation of the American sub-holding company and, accordingly, they include Florida Tile and Lea North America.

(3) The difference between the book value of the investment and the value under the equity method is due to exchange differences.

The following guarantees were obtained upon acquisition:

- in the case of Maronagres (now merged with Gres Panaria Portugal S.A.), any liabilities arising from events that took place prior to the acquisition are covered by the following guarantees given by the sellers to the Company:

- a bank guarantee, enforceable on first request, given by a leading Portuguese bank for Euro 500 thousand, with a duration of 7 years that expired on 21/10/2009;
- a personal guarantee given by the previous shareholders for Euro 800 thousand, with a duration of 7 years that expired on 21/10/2009.

Both the above guarantees were extended in 2009 to 31 December 2014 and, therefore, at the balance sheet date, they were overdue.

- With reference to the acquisition of the quotas of Montanari Francesco S.r.l., it should be noted that the bank guarantee provided by the seller as security for the usual contractual warranties expired in 2012.

Panariagroup also participates in a Joint Venture Company (JVC) called "Asian Panaria" in Ahmedabad, in the Indian state of Gujarat. This company is 50% held by Panariagroup and 50% by AGL Ltd, a leading manufacturer in the Indian market. By means of this joint venture, Panariagroup has direct entry into a market considered to be of great potential, even for our sector.

Impairment Testing

As stated earlier in the section on Accounting Principles, at least once a year, even if there is no evidence of loss, but always whenever any critical indications of impairment arise, the Company performs impairment tests as required by IAS 36 in order to verify the recoverability of the above equity investments.

Impairment testing on the separate financial statements of Panaria Spa identified as CGUs to be subjected to testing for recoverability the individual equity investments recorded (legal entities). The impairment test was performed assuming the recoverable amount to be the value in use (equity value), in consideration of the fact that it is not possible to reliably establish a fair value net of selling costs.

Value in use (equity value) was determined by subtracting from the enterprise value the net financial indebtedness of each individual company at 31 December 2014. The enterprise value results from the present value of future cash flows expected to be generated by each equity investment, over the explicit forecast period and subsequent thereto (by means of the determination of a terminal value attributable thereto).

The recoverable amount of each equity investment was determined by applying the UDCF ("Unlevered Discounted Cash Flow") model to the cash flows included in the 2015-2019 Business Plan approved by the Board of Directors of the Company on 14 March 2015. The impairment method was approved by the Board of Directors on 14 November 2014. A terminal value was calculated at the end of the explicit forecast period, by applying a perpetuity. For the determination of the cash flow on which the terminal value was based, use was made of operating income net of taxation (Net Operating Profit Less Adjusted Tax - NOPLAT) of the last year of the business plan, estimated by management to be an indicator of a "normalised" flow. The growth rate used to calculate the perpetuity, in line with that used for testing of the consolidated financial statements and in line with testing performed in prior years, was prudently set at zero.

The discount rate used to discount expected cash flows was 7.8% (in line with the rate used in 2013). The Company determined the discount rate by weighting the risks associated with the principal markets in which the Company operates on the basis of the turnover achieved by each of these.

Moreover, based on the information contained in the joint document of the Bank of Italy, CONSOB and ISVAP no. 2 of 6 February 2009, the Company set out to develop a sensitivity analysis on the test results compared with the change in the basic assumptions, identifying WACC and EBITDA as significant parameters for this analysis, as they condition the value in use of the cash generating units.

The use of positive values for the g rate would, in fact, have determined better results than the baseline scenario considered for the testing.

Note that the impairment tests are based on business plans determined by management based on past experience and expectations of developments in the market in which the Company operates; the expected rates of growth in the operating results foreseen in the past have been reconsidered in a more conservative way in light of the current uncertainties in the ceramics industry. To this end, it should be noted that the continuation of a situation of scarce dynamism in the trend of demand in the ceramic industry in the main European markets, which represent a significant portion of the Group's turnover, has led management to maintain conservative growth assumptions in line with trends defined by the most recent studies published by "Confindustria Ceramica" and by "Cresme", without making any assumptions for any additional efficiency of the current productive and organisational structure of the Group. In addition, as mentioned previously, the tests were carried out considering a zero rate of further growth at the end of the explicit forecast period.

From the testing performed, as previously indicated, the need arose for the full restoration of the value of the equity investment in Panariagroup USA.

Set out below is the outcome of the tests:

Gres Panaria Portugal

Against a carrying value of the investment in Gres Panaria Portugal of Euro 42.6 million, an equity value has emerged from the above tests of Euro 86.4 million.

Panariagroup USA

Based on the above parameters, the Equity Value of Panariagroup USA at 31 December 2014 is USD 155.6 million, compared with the carrying value of the investment prior to impairment testing of around Euro 34.4 million.

Montanari Francesco S.r.l.

Against a total carrying value of the equity investment in Montanari Francesco S.r.l. of Euro 0.5 million, an equity value has emerged from the above tests of Euro 1.0 million.

Impairment - Sensitivity Analysis

The subsidiaries' Equity Values, as affected by the main assumptions (WACC and EBITDA), are shown below.

Amounts in millions of Euro	***WACC used***	***WACC +1.0%***
Gres Panaria (*)	*86.4*	*76.2*
Panariagroup USA (**)	*155.6*	*142.7*
Montanari (*)	*1.0*	*0.8*

(*) Amounts in Euro/million
(**) Amounts in USD/million

A sensitivity analysis was performed also with reference to the change in EBITDA.

Amounts in millions of Euro	***EBITDA used***	***EBITDA - 10%***
Gres Panaria	*86.4*	*75.5*
Panariagroup USA (*)	*155.6*	*129.5*
Montanari	*1.0*	*0.8*

(*) Amounts in millions of USD

Upon a change in the main assumptions, according to the above tables, no impairment of equity investments would emerge.

2.d Deferred tax assets

The balance is as follows:

	31/12/2014	**31/12/2013**
Deferred tax assets:		
- taxed provisions	3,290	3,950
- tax losses	8,125	5,927
- exchange differences on valuation	-	227
- for ACE not deducted	232	102
Deferred tax assets	**11,647**	**10,206**

Deferred tax assets for "tax losses" refer to the 2013 and 2014 economic results, which recorded negative taxable income.

With respect to this tax loss, the business plans prepared and approved by Group management, show future results that will allow the recovery of the deferred tax assets recorded. The recoverability of the deferred tax assets is subject to the ability of the Company to produce, in the medium term, positive results that will allow the recovery of the deferred tax asset, in line with forecasts included in the business plans approved by directors on 13 March 2015.

2.e Other non-current assets

	31/12/2014	31/12/2013
Intercompany loans receivable	12,920	19,645
Loans due from third parties	380	380
Other non-current assets	149	147
	13,449	**20,172**

The item "Intercompany loans receivable" consists of loans provided by the Company to the indirectly held subsidiary Florida Tile Inc of Euro 12,520 thousand, a loan to Montanari Francesco S.r.l. of Euro 300 thousand and a loan to Panariagroup Immobiliare S.r.l. of Euro 100 thousand.

All the loans granted to Group companies are interest bearing at an interest rate determined on an arm's length basis.

The item "Loans due from third parties" includes a loan of Euro 360 thousand granted to a partner company belonging to the group of companies headed by Panariagroup Industrie Ceramiche S,p,a. as part of the project called "Industry 2015".
The deadline for the repayment of the loan is fixed for 2015.

The item "Other non-current assets" mainly relates to guarantee deposits for utilities.

4) COMMENTS ON THE MAIN LIABILITY AND EQUITY CAPTIONS

CURRENT LIABILITIES

3.a Due to banks and other sources of finance

Short-term financial payables are made up as follows:

	31/12/2014	31/12/2013
Current account overdrafts	3,093	7,089
Export advances	8,408	10,400
Medium/long-term loans	24,894	25,170
	36,395	**42,659**

The changes in financial position during 2014, compared with 2013, are shown in the cash flow statement contained in the earlier section with the financial statements.

The Company's total borrowing facilities granted by banks at 31 December 2014 amounted to Euro 83.4 million, of which Euro 11.5 million had been drawn down at that date.

The item "Medium/Long-term loans" refers to the current portion of unsecured loans and commented on in more detail in the section "Due to banks and other sources of finance" under non-current liabilities.

3.b Trade payables

The trend in trade payables is as follows:

	31/12/2014	31/12/2013
Due to third parties	35,851	31,868
Due to subsidiaries	957	1,039
Due to related parties	27	-
Due to parent companies	-	-
	36,835	**32,907**

Trade payables (including payables due to subsidiaries, related parties and parent companies) relate to payables due to suppliers for the purchase of goods and services for normal business activities.

3.c Due to tax authorities

This caption comprises:

	31/12/2014	31/12/2013
Withholding tax	2,191	2,097
Income tax	236	237
	2,427	**2,334**

3.d Other current liabilities

At 31 December 2014, this caption comprises:

	31/12/2014	31/12/2013
Due to social security institutions	2,613	2,257
Due to employees	4,948	4,053
Due to customers	3,837	3,592
Due to agents	5,789	5,526
Financial derivatives – negative fair value	106	127
Other	102	153
Total current payables	**17,395**	**15,708**
Deferred income from earthquake insurance payouts	135	106
Other accrued expenses and deferred income	105	134
Total current accrued expenses and deferred income	**240**	**240**
	17,635	**15,948**

"Deferred income from earthquake insurance payouts" consists of a portion of insurance payouts and of the government grant relating to extraordinary maintenance as a consequence of the earthquake and which have been capitalised. This portion of the payout is thus being taken to income over the useful lives of the assets to which they relate.

NON-CURRENT LIABILITIES

4.a Employee severance indemnities

The liability for employee severance indemnities is as follows:

	31/12/2014	31/12/2013
Employee severance indemnities	**6,501**	**6,021**

The principal technical bases used for the actuarial calculation in accordance with IAS 19 are as follows:

<u>Demographic assumptions</u>

Average retirement age: 100% on reaching the so-called "AGO" (Assicurazione Generale Obbligatoria) requirements.

Mortality rate: demographic base IPS 55 prepared by ANIA (National Association of Insurance Companies)

Inability: INPS tables divided by age and gender

Probability of termination of employment for reasons other than death (calculated on the basis of historical data for the last five years):

Age group	Probability
0-24	13.2 %
25-29	7.1 %
30-34	5.5 %
35-39	3.4 %
40-49	2.7 %
Over 50	2.4 %

<u>Financial assumptions</u>

The following discount rates have been used:

31/12/2013: IBoxx Eurozone Corporate AA discount rate = 1.49 %
31/12/2013: IBoxx Eurozone Corporate AA discount rate = 3.17 %

The inflation rates taken into consideration are as follows:

Age group	Probability
2015	0.60%
2016	1.20%
2017	1.50%
2018	1.50%

2019 and beyond	2.00%

while in the previous year, the only rate used was 1.90%.

The changes in the provisions occurred during the year are as follows:

Balance at 31/12/2013	**6,021**
Charge to the income statement	182
Charge to "Other Comprehensive Income"	738
Portion paid out during the year	(440)
Employee severance indemnities at 31/12/2014	**6,501**

On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee Benefits, which eliminates the option to defer recognition of actuarial gains and losses with the corridor method, requiring the presentation in the balance sheet and statement of changes in financial position of the deficit or surplus in the fund, and recognition of the cost components related to work performance and the net financial expense in the income statement, as well as recognition of actuarial gains and losses arising from re-measurement of liabilities and assets under "Total other gains (losses)".

4.b Deferred tax liabilities

Deferred tax liabilities at 31 December were composed as follows:

	31/12/2014	**31/12/2013**
Deferred tax liabilities:		
- accelerated depreciation	127	127
- valuation of severance indemnities according to IFRS	(145)	86
- valuation of agents' termination indemnities according to IFRS	297	430
- valuation of inventories	1,403	1,906
- exchange differences on valuation	411	-
- other	25	-
Deferred tax liabilities	**2,118**	**2,549**

4.c Provisions for risks and charges

Provisions for risks and charges are made up of:

	31/12/2014	**31/12/2013**
Provision for agents' termination indemnities	3,043	2,666
Other provisions	661	770
	3,704	**3,436**

The liability for agents' termination indemnities has been discounted at the following rates, which reflect the average gross yields on 10-year Italian treasury bonds:

31 December 2013	4.32 %

31 December 2014	2.84%

The discount rates have been applied to a projection of expected future cash flows for agents' termination indemnities based on past payments of this kind over the last five years. For prudence sake, a maximum limit of 20 years was chosen for the period during which payments from this provision will be made, even though most of the agency network is made up of legal entities.

The main items that make up "Other provisions" are the "Provision for the risks of ongoing disputes", equal to Euro 155 thousand, and the "Provision for returns", amounting to Euro 205 thousand.

The Company's tax years from 2010 onwards are still open for assessment by the tax authorities. Management, with support from the Company's tax advisors, believes that the settlement of these open years will not give rise to significant liabilities not already recorded in the financial statements.

The Company does not have any outstanding disputes or litigation for which there may be remote contingent liabilities that ought to be mentioned in these notes.

4.d Due to banks and other sources of finance

Medium/long-term financial payables are made up as follows:

	31/12/2014	31/12/2013
Medium/long-term loans	29,649	41,382
Assisted loans	3,077	6,811
	32,726	**48,193**

The item "Medium/long-term loans" relates to the portion beyond 12 months of medium-long term loans at floating rates tied to Euribor.

In 2004, new loans were taken out for a total amount of Euro 8 million.

There are no guarantees in respect of these loans in the bank's favour.

As required by IFRS 7, the following table reports the due dates envisaged by the repayment plans for the above financial payables:

	31/12/2014
2015	**24,894**
2016	16,423
2017	9,697
2018	5,905
2019	345
2020	330
2021	26
Long-term	**32,726**
Financial payables	**57,620**

The Company does not have any negative pledges or covenants on debt positions outstanding at the end of the period.

4.e Other non-current liabilities

At 31 December 2014, this caption comprises:

	31/12/2014	31/12/2013
Due to suppliers beyond 12 months	184	995
Taxes beyond 12 months	139	325
Deferred income on refunds for earthquake	1,602	909
	1,925	**2,229**

The amounts due to suppliers beyond 12 months refer to the discounted value of medium/long-term payables and mainly relate to the supply of plants and machinery on extended payment terms.

"Due to tax authorities beyond 12 months" refers to the division into instalments of taxes due following the tax inspection of Panariagroup Industrie Ceramiche S.p.A. and described above in the section "Provisions for risks and charges".

"Deferred income on refunds for earthquake" relate to the amount received as payment by insurance companies and public bodies of damages suffered due to the earthquake in 2012.

In particular, the amount of grants/damages received against capitalised expenses was discounted according to the useful life of the related assets.

Moreover, in some cases, amounts for works planned but not yet carried out have been already received. In this case, the received amount was accounted for under item "medium/long-term deferred income" and will be reversed to the income statement only when the above-mentioned interventions are carried out.

EQUITY

Equity consists of:

	31/12/2014	31/12/2013
Share capital	22,678	22,678
Share premium reserve	60,784	60,784
Revaluation reserves	4,493	4,493
Legal reserve	3,958	3,771
Other reserves	54,273	51,207
Profit/Loss for the year	(2,520)	3,750
	143,666	**146,683**

The changes in equity have already been reported in the section forming part of the financial statements.

The equity shown in the balance sheets at 31 December 2013 and 31 December 2014 includes the impacts of the transition from Italian GAAP to International Financial Reporting Standards, which have been booked to "Other reserves".

The main items making up equity are discussed below.

Share capital

The share capital, subscribed and paid in consists of 45,355,291 shares with a par value of Euro 0.50 each.

Share premium reserve

The share premium reserve represents the surplus of the issue price for shares with respect to their par value and includes:

- Euro 5,069 thousand in relation to the share capital increase carried out in 2000 by Panariagroup Industrie Ceramiche S.p.A.;
- Euro 53,114 thousand for the increase in capital carried out in 2004 through the public offering on the stock market;
- Euro 2,601 thousand for the unutilised reserve for additional shares related to the portion of equity reserved for servicing the bonus share at the time the Company was listed.

Revaluation reserves

The revaluation reserve amounting to Euro 4,493 thousand includes Euro 4,103 thousand for the revaluation of assets at 31 December 2000 under Law 342 of 21.11.2000 and Euro 390 thousand for revaluations carried out in application of previous laws. No deferred taxes have been provided on these reserves, which are subject to the deferral of taxation, since no transactions that would give rise to their distribution and consequent taxation are currently envisaged.

Legal reserve

The legal reserve increased during the year thanks to the allocation of 5% from the 2013 net profit.

Other reserves

The "Other equity reserves" are made up as follows:

	31/12/2014	31/12/2013
Extraordinary reserve	50,435	46,872
Payments on capital account	1,077	1,077
Retained earnings/losses and other reserves	2,761	3,258
	54,273	**51,207**

The "Extraordinary reserve" increased with respect to the prior year following the allocation of part of 2013 net profit.

The reserve for "Payments on capital account" relates to payments made by shareholders in prior years and not tied to future capital increases.

"Retained earnings and other reserves" include a merger surplus of Euro 3,108 thousand that reflects the difference between the carrying amount of equity investments of the merged companies and the related equity at the date of the 2004 merger (of Euro 6,062 thousand), less the replenishment of restricted reserves pertaining to the merged companies.

Treasury shares

As previously stated, the treasury shares in portfolio have been accounted for as a deduction from equity, in accordance with relevant accounting standards.
At 31 December 2014, the treasury shares held in portfolio were 432,234, at an average carrying value of Euro 3.73 each, for a total of Euro 1,614 thousand. There have been no changes since the end of 2013.

The treasury shares currently held were purchased in accordance with a resolution passed by the Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A. on 26 April 2005. This resolution was then renewed at the Shareholders' Meetings that approved subsequent years' financial statements.

Set out below is an analysis of distributable reserves in accordance with article 2427 of the Italian Civil Code:

		Possible utilisation	Amount available	summary of uses in the three previous years: to cover losses	summary of uses in the three previous years: for other reasons
SHARE CAPITAL	22,677,645.50				
SHARE PREMIUM RESERVE	60,783,618.45	A B*	60,783,618.45		
REVALUATION RESERVE 576/75	27,888.67	A B**	27,888.67		
REVALUATION RESERVE 72/83	296,714.32	A B**	296,714.32		
REVALUATION RESERVE EX LG 413/91	64,630.67	A B**	64,630.67		
REVALUATION RESERVE LG 342/2000	478,927.54	A B**	478,927.54		
REVALUATION RESERVE 342/2000	3,624,772.26	A B*****	3,624,772.26		
LEGAL RESERVE 5%	3,958,872.91	B***	0.00		
TREASURY SHARES RESERVE	1,614,284.94	-	0.00		
RESERVE SPEC. DPR 22/12/86	3,873.43	A B C	3,873.43		
RESERVE SPEC. LG 399/87	5,050.95	A B C	5,050.95		
GOVERNMENT GRANT RESERVE (50%)	6,931.63	A B C	6,931.63		
RESERVE UNDER L.130/83	3,767.02	A B C	3,767.02		
MERGER SURPLUS RESERVE	3,107,852.68	A B C	3,107,852.68		
EXTRAORDINARY RESERVE	50,434,789.19	A B C	50,434,789.19		
INTEREST-FREE LOAN ON CAPITAL ACCOUNT	1,076,812.63	A B*	1,076,812.63		
RESERVE ART.55 597/73	51,645.69	A B C	51,645.69		
RESERVE L.696 55-597	42,788.45	A B C	42,788.45		
IAS RESERVE	(469,488.03)	B	0.00		
RETAINED EARNINGS	9,073.80	A B C	9,073.80		
NET PROFIT (LOSS)	(2,520,380.90)	A B C	-2,520,380.90		
Reserve not available****			62,728,592.28		
Residual amount available for distribution			54,770,164.20		

* pursuant to Article 2431 of Civil Code may be distributed only if the legal reserve has reached the limit of 1/5 of the share capital. However, it is available to cover losses, increase of share capital and increase the legal reserve (Available but not currently available for distribution).

** can be distributed only by adopting the procedure under Article 2445 cc paragraphs 3 and 4.

*** only when the reserve has reached one fifth of the share capital the excess becomes actually available (art.2430 cc)

**** includes the fee to cover the costs and expansion, research and development and advertising costs not yet amortized.

*****converted into reserves available with Extraordinary General Meeting of 07.09.2004, in accordance with the provisions of art.2445 seconds and third paragraphs.

Legend

A For capital increase

B For cover losses

C For distribution to shareholders

TRANSACTIONS INVOLVING FINANCIAL DERIVATIVES

The following financial derivative contracts taken out with leading banks were outstanding as of 31 December 2014:

- "Interest rate swap" with a notional underlying principal of Euro 1,750 thousand to hedge interest rates on outstanding loans obtained during 2012.
- "Interest rate swap" with a notional underlying principal of Euro 5,625 thousand to hedge interest rates on outstanding loans obtained during 2012.

These contracts are shown at fair value under "Other current liabilities" for a total of Euro 106 thousand. Adjusting these instruments to fair value at 31 December 2014 involved booking income of Euro 21 thousand to the income statement for the period.

The impact of the new IFRS 13 relating to the fair value adjustment to consider the counterparty risk is not significant for the Group's transactions involving financial derivatives.

GUARANTEES

The guarantees received/given from/to third parties are specifically disclosed in the notes on the balance sheet captions to which such guarantees refer.

The Company has provided guarantees on behalf of the indirectly controlled company Florida Tile Inc., being USD 11.6 million of bank guarantees granted by a bank to the US company and USD 1.5 million to a Kentucky governmental authority for the conduct of production activities at the plant in Lawrenceburg, KY.

The Company has also provided guarantees on behalf of the subsidiary company Gres Panaria Portugal, being Euro 2.4 million of bank guarantees granted by Italian banks to the Portuguese company.

The loan contracts do not contain any covenants.

6) COMMENTS ON THE MAIN INCOME STATEMENT CAPTIONS

6. REVENUES

6.a Revenues from sales and services

Sales revenues are analysed by geographical area as follows:

	31/12/2014	31/12/2013	Change
Italy	65,410	65,230	180
EU countries	48,541	49,160	(619)
Non-EU countries	35,015	32,778	2,237
Intercompany	10,881	10,743	138
(Less) Rebates	(2,360)	(1,852)	(508)
Total revenues	**157,487**	**156,059**	**1,428**

Panariagroup Industrie Ceramiche S.p.A. recorded a slight growth in total revenues of roughly 0.9% (Euro 1.4 million).

More details can be found in the directors' report.

6.b Other revenues

"Other revenues" are made up as follows:

	31/12/2014	31/12/2013	Change
Expense recoveries (displays, transport)	956	992	(36)
Gains on the sale of property	38	316	(278)
Out-of-period income	546	758	(212)
Intercompany services	842	663	179
Compensation for damages	447	76	371
Capitalisation of own work	-	367	(367)
Energy income	3,649	1,742	1,907
Grants	678	421	257
Other	240	153	87
Other revenues	**7,396**	**5,488**	**1,908**

"Expense recoveries" include transport and sample costs recharged to customers.

"Energy income" includes revenues related to the Parent Company's membership of consortiums that collect and make available gas storage and the availability of the associates' energy burden and income from the remuneration of electricity produced by their own photovoltaic systems, income from the assignment of Energy Efficiency Certificates and income from tariff concessions granted for energy intensive companies.

Grants relate to the current portion of contributions received for research and development of an industrial nature and to the portion pertaining to contributions obtained as a refund of damages of the 2012 earthquake (against amortisation of improvements carried out).

"Capitalisation of own work" relates primarily to the use of self-produced photovoltaic tiles as part of an internal project to improve the energy efficiency of one of the Group's plants.

7. COST OF PRODUCTION

7.a Raw materials

"Raw materials" are made up as follows:

	31/12/2014	31/12/2013
Raw materials	17,467	15,206
Ancillary and consumable materials	7,720	7,000
Finished and semi-finished products and goods for resale	6,587	6,276
Packaging	6,666	6,342
Remaining change	(115)	125
Other	718	712
Raw materials	**39,043**	**35,661**

The growth in item "Raw materials" is attributable to the increase of sqm produced in the plants, as already described in the Directors' report.

7.b Services, leases and rentals

"Services, leases and rentals" are made up as follows:

	31/12/2014	31/12/2013
Property rental	5,620	5,555
Rentals of plant, vehicles, computers	2,019	2,156
Commissions	11,066	11,021
Utilities	18,087	16,280
Commercial expenses and advertising	4,157	4,360
Sub-contract work	7,333	7,258
Maintenance	3,881	3,233
Transportation	5,428	4,351
Industrial services	4,504	4,353
Directors' and statutory auditors' fees	842	1,105
Consulting fees	1,617	1,770
Insurance	464	477
Other	3,776	3,700
Services, leases and rentals	**68,794**	**65,619**

"Property rental" includes the rents that the Company pays to Immobiliare Gemma S.p.A (a related party) for use of the land and buildings in which the Company carries on its business. The rent contract is for eight years (with tacit renewal on first expiry in 2011 for another eight years) with an annual rent initially set at Euro 4,500 thousand and which is increased each year in line with ISTAT statistical data. The economic value of the rent is based on a specific appraisal prepared by an independent expert, which supports the alignment to market values.

7.c Personnel costs

Personnel costs passed from Euro 43,765 thousand at 31 December 2013 to Euro 46,616 thousand at 31 December 2014, marking an increase of 6.5%. The impact on the value of production is aligned to the previous year.

Personnel costs can be broken down as follows:

	31/12/2014	31/12/2013
Wages and salaries	33,308	30,843
Social security contributions	11,085	10,659
Severance indemnities	2,223	2,263
	46,616	**43,765**

The average number of people employed by the Company during the year was as follows:

	31/12/2014	31/12/2013
Managers	34	32
Supervisors	35	36
White collar	222	232
Foremen	24	24
Blue collar	489	498
	804	**822**

The increase in personnel costs, although the number of workforce has decreased, is due to the higher number of working hours, mainly resulting from the higher production reported in the plants.

It should be noted that personnel costs include around Euro 800 thousand in extraordinary expenses connected with a significant restructuring operation performed which involved the payment of one-off amounts to leaving personnel, who voluntarily left the company.

7.d Other operating expenses

"Other operating expenses" are made up as follows:

	31/12/2014	31/12/2013
Out-of-period expenses	179	195
Gifts	47	25
Contributions to trade associations	88	97
Losses on disposals	175	163
Indirect taxes	856	886
Office equipment	190	195
Other	299	271
	1,834	**1,832**

8. DEPRECIATION, AMORTISATION AND PROVISIONS

8.a Depreciation and amortisation

The charge for depreciation and amortisation for the year ended 31 December 2014 is down slightly on prior year from Euro 10,189 thousand to Euro 10,016 thousand.

8.b Provisions and impairments

In particular, the caption "Provisions and impairments", amounting to Euro 1,065 thousand, includes the write-down of receivables totalling Euro 638 thousand, provisions made for agents' termination indemnities of Euro 407 thousand, and other write-downs of Euro 19 thousand.

9. FINANCIAL INCOME (EXPENSE)

9.a Financial income (expense)

	31/12/2014	31/12/2013
Bank interest expense	(155)	(273)
Interest expense on medium/long-term loans	(1,039)	(1,144)
Financial expense on severance indemnity liability	(184)	(194)
Fair value losses on derivatives	-	-
Other	(202)	(182)
Total financial expense	**(1,580)**	**(1,793)**
Bank interest income	31	35
Interest on receivables	49	102
Fair value gains on derivatives	12	95
Interest receivable on intercompany loans	415	553
Total financial income	**507**	**785**
TOTAL FINANCIAL INCOME AND EXPENSE	**(1,073)**	**(1,008)**
Exchange losses	(615)	(2,215)
Exchange gains	3,087	1,040
TOTAL EXCHANGE GAINS AND LOSSES	**2,472**	**(1,175)**
Write-backs on equity investments in subsidiaries	-	12,300
Impairment losses on equity investments in subsidiaries	-	-
Impairment of JV equity investments (Equity Method)	(139)	(219)
Dividends from subsidiaries	2,000	-
TOTAL GAINS AND LOSSES ON EQUITY INVESTMENTS	**1,861**	**12,081**
Financial losses on discounting	(423)	(354)
Financial gains on discounting	-	-
DISCOUNTING GAINS (LOSSES)	**(423)**	**(354)**
Total financial income (expense)	**2,837**	**9,544**

Financial income and expense - Sensitivity analysis

As previously stated in the section on "Financial risks", the Company is exposed to certain types of market risk, such as interest rate risk and exchange rate risk.
The following is a sensitivity analysis to show the impact on the 2013 financial statements (pre-tax profit) in the event that interest rates or exchange rates fluctuate.

Interest rates

Rate	(Higher) (Lower) Pre-tax profit € mln
+ 0.50%	+0.4
+ 1.00%	+0.8
+ 2.00%	+1.6

Exchange rates (Eur/USD)

Rate	Higher (Lower) Pre-tax profit € mln
1.00	+7.3
1.10	+4.2
1.20	+1.6
1.30	-0.6
1.40	-2.5
1.50	-4.1

* Hypothesis of a constant interest rate over the entire period

10. INCOME TAXES

10.a Income taxes

Income taxes for the financial year have generated an amount of income of Euro 756 thousand.

A reconciliation of the main differences between the theoretical tax charge and the actual tax charge is given below.

Reconciliation between the theoretical tax rate and the actual tax rate

(in thousands of Euro)

THEORETICAL TAX RATE

A	Pre- Tax profit	(3,276)
B	Personnel costs	46,616
C	Net finance costs (net of write-downs and revaluations of investments)	(837)
D	IRAP deduction from tax wedge	20,100

			Theoretical tax	Theoretical "Tax Rate"
A	Theoretical taxable income for IRES purpose	(3,276)	(901)	**27.50%**
A+B+C-D	Theoretical taxable income for IRAP purpose	22,403	874	**3.90%**
CF1	Theoretical Tax Charge		**(26)**	**0.80%**
	No taxation of earthquake grants		**(129)**	**3.94%**
	Italian's allowance for corporate equity (ACE)		**(130)**	**3.97%**
	IRAP deductibility personnel costs		**(216)**	**6.59%**
	Benefits from tax consolidation		**(143)**	**4.37%**
	Other		**(112)**	**3.41%**
	ACTUAL tax charge		**(756)**	**23.08%**

The "positive" balance of taxes is mainly determined by the achievement of a negative pre-tax result.

6. IMPACT OF THE EARTHQUAKE ON RESULTS

In May 2012, Emilia Romagna (and particularly the province of Modena) was hit by a severely intense earthquake that caused significant damages to the municipality of Finale Emilia, the location of one of the Group's production facilities, as well as commercial and administrative offices.

As reported previously, in order to clearly present, in the financial statements, the impact on the results of the earthquake that hit Emilia Romagna, some specific captions have been added to the income statement, in compliance with "IAS 1 Presentation of the Financial Statements" paragraph 83: "*Additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance*".

The lines that were added to the income statement are "Income from extraordinary events" and "Cost of extraordinary events". It is noted that some expenses connected with the earthquake were incurred in 2014, They were of an irrelevant extent and therefore the Company deemed it reasonable not to report them under a separate item.

"Income from extraordinary events" in 2013 refers to the portion of the government grant recognised for the costs of restoring buildings, which, therefore were charged to the income statement. The request, submitted in November 2013 relating to damages suffered by buildings, was accepted, and the Company has already received the grant related to the first Reports on work in progress submitted.

Portions of the insurance payouts and government grants related to capitalised operations (improvements with respect to the pre-earthquake situation), were deferred, in order to match the income to the useful lives of the relates assets.

The portions of public grants connected with investments still to be made were "suspended" in item "Medium/long-term deferred income". For these portions, the gradual recognition to income statement will be made only upon completion of the planned upgrading works and at the beginning of their amortisation period.

"Cost of extraordinary events" in 2013 refers primarily to the costs of restoration of the office block in Finale Emilia, whose reconstruction was completed in the first months of 2014.

It should be noted that the quantification of the impact on the results of the earthquake, outlined in specific lines, does not take account of the "indirect" costs relating to the earthquake, such as the loss of sales and production.

The tax effect of these net charges is recorded in the income statement under "Income taxes" and relates to the deductibility of the expenses already incurred. No tax effect was recognised on the portion of the insurance payout and government grants recorded in the financial statements, in consideration of their tax exemption in accordance with legislation issued to aid those affected by the earthquake.

Lastly, it should be noted that all applications submitted by the Group for government grants under Regional Decree E-R no. 57 of 12/10/2012 to aid those who have suffered damages from the earthquake with expenses not covered by an insurance policy, were approved. Some Reports of work in progress related to buildings that had been regularly paid were recognised. Other reports will be submitted during 2015.

The approval of the application by Public Authorities means that the submitted restoration and upgrading application was approved and the maximum amount assigned as grant was defined, while the SAL refer to the actual submitting of costs incurred (invoices and related payments made) which, after being approved by the Region, actually give the right to receive indemnities, within the thresholds defined.

BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

As required by IAS 33, earnings per share of Euro 0.056 are disclosed at the foot of the income statement (Euro 0.083 per share for the year ended 31 December 2013).

Basic and diluted earnings (losses) per share are the same because there are no diluting factors.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No events/transactions were recorded during the year that fall under the scope of CONSOB Communication DEM/6064293 of 28 July 2006. The Company's management has interpreted "significant non-recurring events and transactions" to mean those falling outside the normal course of business.

As already mentioned in the Introduction, the impact on results of the earthquake that struck Emilia Romagna in May 2012 (gross of the related tax effect) has been recorded in specific income statement captions, for a better understanding of the Company's results in accordance with the requirements of "IAS 1 Presentation of Financial Statements".

POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

No events/transactions were recorded during the year ended 31 December 2013 that fall under the scope of CONSOB Communication DEM/6064293 of 28 July 2006. As specified in this Communication "atypical and/or unusual transactions" means those transactions which by virtue of their significance/size, nature of the counterparties, purpose of the transaction, method of determining the transfer price and timing (proximity to year end) may give rise to doubts concerning: the fairness/completeness of the information contained in the financial statements, conflicts of interest, the safekeeping of company assets, and the protection of minority shareholders".

SEGMENT INFORMATION

The application of IFRS 8 – Operating segments became compulsory on 1 January 2009. This standard requires the identification of operating segments with reference to the system of internal reporting used by senior management to allocate resources and assess performance.

In terms of their economic and financial characteristics, the products distributed by the Company are not significantly different from each other in terms of product nature, nature of the production process, distribution channels, geographical distribution or types of customer. Accordingly, considering the requirements specified in paragraph 12 of the standard, the analysis called for is unnecessary since the information would not be useful to readers of the financial statements. The related disclosures required by paragraphs 32-33 of IFRS 8 have been provided in the Directors' report on operations.

RELATED PARTY TRANSACTIONS

Panariagroup's related parties are:

Finpanaria S.p.A.– Ultimate Parent Company, which does not exercise the management and coordination.
Immobiliare Gemma S.p.A. - an affiliated party (also controlled by Finpanaria)

INCOME STATEMENT
(in thousands of euro)

REVENUES	Finpanaria	Imm. Gemma	Total
Services	32	26	**58**
Total revenues	**36**	**26**	**58**

COSTS	Finpanaria	Imm. Gemma	Total
Rental expense	-	5,441	**5,441**
Commission for guarantees given	28	-	**28**
Total costs	**28**	**5,441**	**5,469**

Rental expense refers to the rents paid for all of the buildings used for Panariagroup Industrie Ceramiche S.p.A.Õs production and logistics activities.
The **consulting fees** paid to Finpanaria S.p.A. are for administrative and organisational services.

In accordance with Consob Communication DEM/6064293, the impact of related party transactions on the Company's results and cash flows is shown below:

	% of Value of Production	% of pre-tax profit	% of operating cash flow*
Revenues	0.04%	1.44%	0.36%
Costs	3.39%	166.9%	34.12%

* before changes in working capital

BALANCE SHEET
(in thousands of euro)

	Finpanaria	Imm. Gemma	Total
Receivables	39	32	71
Payables	-	27	27
Due from (to) tax authorities	1,783	-	1,783
Net receivable (payable)	**1,822**	**59**	**1,881**

As regards Receivables due to Finpanaria, of a tax nature, the parent company reports a tax receivable of the same amount, still not collected.

All related party transactions are carried out on an arm's length basis.
In this connection, we would call your attention to the fact that a procedure on related-party transactions is now in place in accordance with the CONSOB Regulation adopted with Resolution 17221 of 12 March 2010 and subsequent amendments and additions.

Other related parties of the company are also:
Gres Panaria Portugal S.A
Panariagroup USA Inc.,
Lea North America LLC.
Florida Tile Inc.
Montanari Francesco S.r.l.
Panariagroup Immobiliare S.r.l.

For transactions between the Company and its subsidiaries, refer to the section "Transaction with subsidiaries" reported in Directors' report.

ATTACHMENTS

The following attachments contain additional information to that provided in the explanatory notes, of which they form an integral part:

- Statement of assets still recorded in the balance sheet that have been subject to revaluation in accordance with specific laws
- Statement of changes in intangible assets from 01 January 2013 to 31 December 2014
- Statement of changes in property, plant and equipment from 01 January 2013 to 31 December 2014
- Statement of changes in financial assets
- Statement of changes in financial position
- Directors and Officers
- Disclosure required by article 149-duodecies of the CONSOB Issuer Regulations
- Certification of the financial statements in accordance with art. 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

Finale Emilia, 14 March 2015

The Chairman of the Board of Directors

EMILIO MUSSINI

EXPLANATORY NOTES - ATTACHMENT 1

- Statement of assets still recorded in the balance sheet that have been subject to revaluation in accordance with specific laws

Statement of assets held for which revaluations were made in accordance with specific laws
(in thousands of Euro)

	Land and buildings	Plant and Machinery	Equipment	Other Assets	TOTAL
Various types of revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation
Law 576 of December 2, 1975	-	-	-	-	-
Law 72 of March 19, 1983	-	601	36	31	668
Law 408 of December 29, 1990	-	-	-	-	-
Law 413 of December 30, 1991	-	-	-	-	-
Law 342 of November 21, 2000	-	4,900	-	345	5,245
Saldo finale	**-**	**5,501**	**36**	**376**	**5,913**

As of December 31, 2014 revaluations made in previous years have been fully depreciated

EXPLANATORY NOTES - ATTACHMENT 2

- Statement of changes in intangible assets from 01 January 2013 to 31 December 2014

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Statement of changes in intangible assets from 01/01/2013 to 12/31/2014

(in thousands of Euro)

	Start-up costs and costs of expansion	Research and Advertising capitalized	Patents and intellectual property	Concessions, licenses and trademarks	Other intangible assets	TOTAL
Balance at 01/01/2013	**0**	**0**	**0**	**748**	**0**	**748**
Increases	-	-	-	291	-	291
Reclassifications	-	-	-	-	-	0
Decreases	-	-	-	-	-	0
Ammortisation	-	-	-	(392)	-	(392)
Balance at 12/31/2013	**0**	**0**	**0**	**647**	**0**	**647**
Balance at 01/01/2013	**0**	**0**	**0**	**647**	**0**	**647**
Increases	-	-	-	455	-	455
Reclassifications	-	-	-	-	-	0
Decreases	-	-	-	-	-	0
Ammortisation	-	-	-	(356)	-	(356)
Balance at 12/31/2014	**0**	**0**	**0**	**746**	**0**	**746**

EXPLANATORY NOTES - ATTACHMENT 3

- Statement of changes in property, plant and equipment from 01 January 2013 to 31 December 2014

Statement of changes in property, plant and equipment from 01/01/2013 to 12/31/2014
(in thousands of Euro)

	Land and buildings	Plant and Machinery	Extraordinary maintenance to third party assets	Equipment and other Assets	Construction in progress and advances	TOTAL
Balance at 01/01/2013	**745**	**32,001**	**4,682**	**1,874**	**47**	**39,349**
Increases	-	7,761	763	826	1,188	**10,538**
Reclassifications	(23)	(7,874)	(1,086)	(814)		**(9,797)**
Decreases	-	(271)			(47)	**(318)**
Ammortisation	-					**-**
Balance at 12/31/2013	**722**	**31,617**	**4,359**	**1,886**	**1,188**	**39,772**
Balance at 01/01/2013	**722**	**31,617**	**4,359**	**1,886**	**1,188**	**39,772**
Increases		6,239	652	885	146	**7,922**
Reclassifications	(23)	(7,599)	(1,206)	(832)		**(9,660)**
Decreases		(12)				**(12)**
Ammortisation			1,188		(1,188)	**-**
Balance at 12/31/2014	**699**	**30,245**	**4,993**	**1,939**	**146**	**38,022**

EXPLANATORY NOTES - ATTACHMENT 4

- Statement of changes in financial assets from 01.01.12 to 31 December 2014

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Statement of changes in financial assets from 01/01/2013 to 12/31/2014
(in thousand of Euro)

	Investments in subsidiaries	Investments in affiliated companies	Investments in parent companies	Investments in other companies	TOTAL
Balance at 01/01/2013	**77,532**	**-**	**-**	**361**	**77,893**
Increases	-	-	-	-	**-**
In share capital	30	-	-	215	**245**
Write-down of investments	-	-	-	(219)	**(219)**
Revaluation of Investments	12,300	-	-	-	**12,300**
Other	-	-	-	-	**-**
Balance at 12/31/2013	**89,862**	**-**	**-**	**357**	**90,219**
Increases					**-**
In share capital				101	**101**
Write-down of investments				(101)	**(101)**
Revaluation of Investments					**-**
Other					**-**
Balance at 12/31/2014	**89,862**	**-**	**-**	**357**	**90,219**

EXPLANATORY NOTES - ATTACHMENT 5

- Statement of changes in financial position

Details of net financial position are provided in accordance with CONSOB Communication DEM/6064293 of 28 July 2006:

PANARIAGROUP
FINANCIAL STATEMENT

NET FINANCIAL POSITION

(THOUSANDS OF EURO)

		12/31/2014	12/31/2013
A	Cash	(10)	(16)
B	Other Cash and cash equivalents	(1,010)	(8,842)
C	Securities held for sale	0	0
D	**Liquidità (A+B+C)**	**(1,020)**	**(8,858)**
E	**Short-term financial assets**	**0**	**0**
F	Due to banks	11,501	17,489
G	Current portion of long-term loans	24,894	25,170
H	Other short-term financial debt	0	0
I	**Short-term financial indebtedness (F+G+H)**	**36,395**	**42,659**
J	**Net short-term financial indebtness**	**35,375**	**33,801**
K	**Long-term financial assets**	**0**	**0**
L	Non-current portion of long-term loans	32,726	48,193
M	Due to bondholders	0	0
N	Other long-term financial debt	0	0
O	**Long-term financial indebtedness (L+M+N)**	**32,726**	**48,193**
P	**Net long-term financial indebtness (O-K)**	**32,726**	**48,193**
	Net financial indebtness (J+P)	**68,101**	**81,994**

EXPLANATORY NOTES - ATTACHMENT 6

- Directors and Officers

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Board of Directors

Name	Office	Powers
Emilio Mussini	Chairman of the Board	Ordinary administration of Panariagroup S.p.A. and ordinary administration of the Lea Division
Giuliano Mussini	Deputy Chairman of the Board	Ordinary administration of Panariagroup S.p.A. acting as deputy to the Chairman
Giovanna Mussini	Deputy Chairman of the Board	Ordinary administration of Panariagroup S.p.A. acting as deputy to the Chairman
Paolo Mussini	Managing Director	Ordinary administration of the Cotto d'Este Division
Giuliano Pini	Managing Director	Ordinary administration of Panariagroup S.p.A.
Paolo Onofri	Director	Independent non-executive
Enrico Palandri	Director	Independent non-executive
Bonfiglioli Sonia	Director	Independent non-executive
Tunioli Roberto	Director	Independent non-executive

Powers of extraordinary administration are held exclusively by the Board of Directors in its entirety.

The board of Directors'term in office expires at the AGM that approves the 2013 financial statement.

For details of the remuneration of the Directors, please refer to the "Report of the Board on the remuneration"

Board of Statutory Auditors

Name	Office
Francesca Muserra	Chairman of the Board of Statutory Auditors
Giovanni Ascari	Standing Auditor
Vittorio Pincelli	Standing Auditor
Massimiliano Stradi	Alternate Auditor
Arianna Giglioli	Alternate Auditor

Compensation Commitee

Name
Bonfiglioli Sonia
Enrico Palandri
Paolo Onofri

Internal Control Commitee

Name
Bonfiglioli Sonia
Enrico Palandri
Paolo Onofri

Supervisory board

Name
Francesco Tabone
Alessandro Iori
Bartolomeo Vultaggio

Independent Auditors

Reconta Ernst & Young S.p.A.

EXPLANATORY NOTES - ATTACHMENT 7

- Disclosure required by article 149-duodecies of the CONSOB Issuer Regulations

This table, prepared in accordance with article 149-duodecies of the CONSOB Issuer Regulations, reports the fees earned in 2014 for auditing and other services provided by the independent auditors.

Type of services	Party providing the services	Recipient	Fees earned in 2014
Auditing	Reconta Ernst & Young	Panariagroup S.p.A.	144
Other services	Reconta Ernst & Young	Panariagroup S.p.A.	6
Total			**150**

EXPLANATORY NOTES - ATTACHMENT 8

- Certification of the financial statements in accordance with art. 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

ATTACHMENT 3C-ter

Certification of the financial statements in accordance with art. 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Paolo Mussini, Andrea Mussini, Emilio Mussini, Giuseppe Mussini, Giuliano Pini, as Managing Directors, and Damiano Quarta, as Financial Reporting Manager, of Panariagroup Industrie Ceramiche S.p.A. certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the firm and
- the actual application

  of the administrative and accounting procedures for the formation of the financial statements during the period ended 31 December 2014.

2. No matters of particular importance in this regard arose during the period.

3. We also certify that:

3.1 the Financial Statements:

a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) agree with the balances shown in the books and accounting entries;

c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.

3.2 The Directors' report on operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and the companies included within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Finale Emilia, 13 March 2015

Managing Directors	Financial Reporting Manager
Paolo Mussini Emilio Mussini Giuliano Pini	Damiano Quarta

PANARIAGROUP

Financial Statement of the companies extra-UE controlled by Panariagroup

PANARIAGROUP USA

CONSOLIDATED BALANCE SHEET

(THOUSANDS OF DOLLARS)

ASSETS	31/12/2014	31/12/2013
CURRENT ASSETS	**70,947**	**63,369**
Inventories	50,942	46,658
Trade Receivables	15,661	14,165
Due from tax authorities	0,399	0,157
Other current assets	2,240	1,136
Cash and cash equivalents	1,705	1,253
NON-CURRENT ASSETS	**46,280**	**49,139**
Goodwill	0,000	0,000
Intangible assets	1,578	1,770
Property, plant and equipment	25,307	26,305
Financial assets	11,074	11,921
Deferred tax assets	7,699	8,588
Other non-current assets	0,622	0,555
TOTAL ASSETS	**117,227**	**112,508**

LIABILITIES	31/12/2014	31/12/2013
CURRENT LIABILITIES	**27,329**	**22,231**
Due to banks and other sources of finance	3,664	1,668
Trade payables	20,570	17,804
Due to tax authorities	0,714	0,389
Other current liabilities	2,381	2,370
NON-CURRENT LIABILITIES	**37,276**	**42,665**
Employee severance indemnities	-	-
Deferred tax liabilities	1,975	-
Provisions for risks and charges	0,050	0,100
Due to banks and other sources of finance	34,374	41,730
Other non-current liabilities	0,877	0,835
TOTAL LIABILITIES	**64,605**	**64,896**
EQUITY	**52,622**	**47,612**
Share capital	63,020	63,020
Capital Reserves	(15,407)	(18,703)
Net Profit	5,009	3,295
TOTAL LIABILITIES AND EQUITY	**117,227**	**112,508**

PANARIAGROUP USA

CONSOLIDATED FINANCIAL STATEMENT

(THOUSANDS OF DOLLARS)

	31/12/2014		31/12/2013	
REVENUES FROM SALES AND SERVICES	**132,295**	**95,0%**	**116,732**	**96,1%**
Change in inventories of finished products	2,698	1,9%	0,909	0,7%
Other revenues	4,242	3,0%	3,770	3,1%
VALUE OF PRODUCTION	**139,235**	**100,0%**	**121,411**	**100,0%**
Raw materials	(57,741)	-41,5%	(50,596)	-41,7%
Services, leases and rentals	(38,807)	-27,9%	(34,500)	-28,4%
Personnel costs	(26,126)	-18,8%	(23,071)	-19,0%
Other operating expenses	-	0,0%	(1,382)	-1,1%
PRODUCTION COSTS	**(124,420)**	**-89,4%**	**(109,549)**	**-90,2%**
GROSS OPERATING PROFIT	**14,815**	**10,6%**	**11,862**	**9,8%**
Amortisation and depreciation	(4,911)	-3,5%	(4,559)	-3,8%
Provisions and writedowns	(0,197)	-0,1%	(0,193)	-0,2%
NET OPERATING PROFIT	**9,707**	**7,0%**	**7,110**	**5,9%**
Financial income (expense)	(1,350)	-1,0%	(1,660)	-1,4%
PRE-TAX PROFIT	**8,357**	**6,0%**	**5,450**	**4,5%**
Income taxes	(3,348)	-2,4%	(2,155)	-1,8%
NET PROFIT	**5,009**	**3,6%**	**3,295**	**2,7%**