CONSOLIDATED ANNUAL REPORT 2015 - DRAFT

Panariagroup Industrie Ceramiche S.p.A. – Via Panaria Bassa 22/A – 41034 Finale Emilia (MO)
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Panariagroup Industrie Ceramiche

INDEPENDENT AUDITORS' REPORT

Building a better working world

Panariagroup Industrie Ceramiche S.p.A.

Consolidated financial statements as at 31 December 2015

Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010

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Building a better working world

Independent auditor's report
in accordance with articles 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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Panariagroup Group, which comprise the statement of financial position as at 31 December 2015, and the income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of Panariagroup Industrie Ceramiche S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Group Panariagroup as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

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Report on other legal and regulatory requirements

Opinion on the consistency of the Directors' Report and of specific information of the Annual Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Directors' Report and of specific information of the Annual Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Panariagroup Industrie Ceramiche S.p.A. are responsible for the preparation of the Directors' Report and of the Annual Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Directors' Report and the specific information of the Annual Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of Panariagroup Group as at 31 December 2015.

Bologna, 30 March 2016
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 CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR 2015

Introduction

The consolidated financial statements for the year ended 31 December 2015 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 Legislative 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 2014, with the exception of those international accounting standards which entered into effect as at 01 January 2015 and which are illustrated in the section of the financial statements named "Accounting standards, amendments and interpretations applicable as at 01 January 2015"; refer to this section for more information. The application of these standards did not produce any significant effects.

As regards the provisions on the conditions applied to the listing of parent companies, incorporated companies or companies regulated under the laws of countries outside of the European Union and which have a significant impact on the consolidated financial statements, it should be noted that:

- As at 31 December 2015 three of the companies controlled by Panariagroup come under these regulations: Panariagroup USA Inc., Florida Tile Inc. and Lea North America LLC.

- Adequate procedures have been adopted to ensure thorough compliance with the new rules (art. 36 of Market Regulations issued by Consob).

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).

STRUCTURE OF THE GROUP

The structure of the Group as at 31 December 2015 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 16,500,000.00, 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 both 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..
This company markets Lea branded products on the North American market.

Montanari Ceramiche S.r.l., based in Finale Emilia (Italy), share capital of Euro 48,000.00, wholly 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, wholly 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
Mussini Emilio	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 2015 Consolidated Financial Statements

Results and significant events in 2015

Results

Shareholders,

Over the year 2015, the economic expansion reported growth rates below the expectations expressed at the beginning of the year.
In the third and fourth quarter, also due to geo-political tensions, a growing uncertainty arouse as to perspectives in the emerging areas, especially China, which had a negative impact on the global economic scenario and generated heterogeneous cyclical positions among the various global areas.
While the United States reported an ongoing economic recovery, with a decrease in the unemployment rate, in the Eurozone expectations of moderate improvements were confirmed, also thanks to the settlement of turmoil linked to the Greek crisis, which permitted the settlement of tensions recorded on the European financial markets. As regards the emerging Countries, the slowdown in economy increased due to the reduced revenue from exports in raw materials (especially oil) and disinvestments of foreign investors, together with the growing expansion of ISIS terrorism.
Within this context, the cyclical framework related to the building sector, which is strictly connected with the business of our Group, reported an upward trend, with heterogeneous performance amongst the various geographical areas. The Eurozone was still static, the emerging areas reported a slight slowdown and North America reported a recovery.

Despite this oscillating context, the revenue of the Group recorded a significant growth, compared with 2014, due to an increase in volumes and a continuous trade expansion on all the main reference markets.

In summary, the results of 2015 can be summarized as follows:

- Consolidated revenues from sales amounted to Euro 342.9 million, an increase of 18.0% with respect to 2014.
- Gross operating profit was equal to Euro 30.8 million (Euro 21.0 million in 2014).
- Net operating profit was equal to Euro 11.1 million (Euro 1.9 million in 2014).
- The pre-tax results amounted to Euro 9.3 million (loss of Euro 0.6 million in 2014).
- The net consolidated profit was equal to Euro 5.9 million (loss of Euro 1.8 million in 2014).

After a challenging period due to the difficult macro-economic context and the need for a reorganization aimed at adjusting the Company to the changed market conditions, we can consider 2015 as the "year of reversion".

The improvement of Group results, which started to be reported in 2014, was clearly confirmed in 2015, with an excellent growth in revenues and margins.

All Business Units reported better results with respect to the previous year, both as regards revenue and profitability. In particular, the excellent performance of foreign Business Units is worth noting.

The increase in margins had a two-fold origin: the higher business volume on all markets and the increase in production with a reduced impact on fixed costs.

The aggregate effect on this improvement resulted in a growth in revenue of Euro 52.2 million, an increase in Gross Operating Margin of Euro 9.8 million, higher Pre-tax results of Euro 9.9 million and a growth in Net Result for the year of Euro 7.7 million.

In addition to the economic results, a consolidation in the equity and financial structure is also worth noting. A significant improvement was reported on the Net Financial Position/Gross Operating Margin ratio, which stood around 2.7, against 3.8 in December 2014, and on the Net Working Capital/Revenue ratio from 43% to 37%.

Segment framework: the performance of Italian competitors

In 2015, the Italian ceramics industry reported a substantial upward trend, with a growth in sales on foreign markets of around 5%, while the domestic market was characterised by consumptions in line with the previous year.

In particular, sales on the US market increased (+22.8%), also thanks to the appreciation of the US dollar. However, sales increased also on the Asian markets (+10.4%) and, despite a slowdown in the French market, the EU Member Countries reported an overall growth of 4%. Eastern European countries reported a good performance, except for the Russian market, which recorded a slump in imports due to the rouble devaluation.

Results of operations

Our Group, on a whole, achieved a percentage growth in sales which was higher than the average of Italian competitors. Our international structure allows us to be more competitive with respect to companies that are based in the Italian territory only.

As highlighted before, the three Business Units achieved substantial improvements compared to 2014, both in terms of revenue and margins.

The Italian Business Unit increased its business volume of around 9%. The positive result was obtained thanks to the good performance on the domestic market (+3.5%), the excellent performance on the European markets (+8.3%) and the significant growth on Overseas markets (+12.6%). On all markets, the Group achieved higher results compared to the average performance of Italian competitors. In order to meet the increase in demand, production facilities were more committed with respect to the previous year, with consequent economic benefits on the product unit cost.

The Portuguese Business Unit further consolidated its leadership on the domestic market with a growth in sales of over 20%. Moreover, thanks to the strengthening of commercial networks, development on foreign markets continued (+16%), with generally excellent results, which were particularly brilliant on the main European markets (Germany and France) and in Africa. Revenues, together with an increasing use of production capacity, resulted in a positive economic result.

For the fifth consecutive year now, the US Business Unit reported a double-digit growth rate. The growth achieved in 2015 is substantially in line with the average of the last five years (yearly growth rate = 12%). This result was obtained thanks to the positive trend reported in the North-American market for the reference period, combined with an important recovery of market shares.

Thanks to its diversified multiple-channel distribution model, Florida Tile, our main player on the US market, enjoys a widespread presence over the US territory, efficiently supported by the logistics and production facilities based in Kentucky.

The production capacity of the plant in Lawrenceburg was fully exploited over the year and production costs reached really competitive levels.

The good results reported by all Business Units, together with further growth expectations, are the reasons underlying the important investment plan for the 2015-2016 period.

Significant events in the period

The activity aimed at **reorganizing the Italian Business Unit** continued in 2015, especially involving the commercial departments.

In a view of achieving a better streamlining, the brands Panaria and Fiordo were unified under one trade unit; the objective is to ensure a greater presence on the markets and offer a wider range of products to customers. We deem that this transaction will have a positive outcome, similarly to the absorption of the Blustyle brand by Cotto d'Este carried out in 2014 .

Another important reorganization that involved the Italian Business Unit led to the unification of the Marketing function, originally autonomously managed by the various bands, in one single Group entity.

Centralization allows for important synergies in cost management and standardization of merchandising instruments, with a better service rendered to customers. Moreover, greater attention will be given to guidelines that might better highlight the distinctive characteristics of the Italian brands, while allowing for higher and more focused creativity, innovation and attention to the various market targets through the evolution of image and communication schemes of the various brands.

An important **investment programme** was started in 2015, and is expected to be concluded within 2016. This programme involved all Group Business Units.

In the Italian Business Unit, the main investments are addressed to the strengthening of the plant in Fiorano Modenese, dedicated to gres laminate products.

The significant growth in sales of this type of products, where Panariagroup is leader, led to the full use of the facility in Fiorano Modenese.

In view of expected further growth, the installation of the third production line started in the last quarter of the year. This plant was operative in March 2016.

Always in the plant of Fiorano Modenese, an important investment was made for the installation of an innovative polishing line for the processing of gres laminate. This plant will allow for the widening of the product range, with the aim of developing an important

market segment, dedicated to large size marble products, which is likely to have great potentialities in the future. The line was operative in the first months of 2016.

The other Italian production facilities continued to undergo their technological updating. Six machines for the decoration and digital printing were installed, as well as a new selection line and a new grinding line for large-size products.

Portuguese plants were also the object of relevant investments. In particular, a new complete line (press, dryer, glazing) for large-size products, as well as three new "decoration and digital printing machines" were installed. It is worth noting that, during the year, all furnaces were completed and progressively reached their full regime.

During 2015, also the plant in Lawrenceburg reached its full regime and therefore, to implement the development plans of the US Business Unit, the installation of a new production line was required. Most of the related costs have already been borne in 2015, with the completion of the plant, which will undergo final tests and servicing in June 2016. Moreover, a department for in-house processing (cutting and grinding) was opened in the US facility with the aim of enhancing efficiency within the plant.

Thanks to their unremitted attention to implementation and technological innovation, our facilities are always at the forefront, being present on a market segment where only a restricted group of competitors operate and that requires special know how and adequate financial resources.

In the first months of 2015, the integration project of the entire information system was started through the adoption of a single platform (SAP).
This project is very important, both for the size of the investment, and by reason of the fact that it falls within the internationalisation strategy of Panariagroup. The implementation of the project will allow us to improve our processes by progressively achieving the best practices, and will ensure us a uniform management of all Group companies, both in Italy and abroad, by simplifying interactions between the various Business Units.
The project envisages, for 2016, the use of the new platform in the US Business Unit (Florida Tile, Panariagroup USA and Lea North America), where a technological update

was most needed, and, by 2017, the progressive extension of updating to the Portuguese and Italian Business Units.

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Review of the Group's 2015 Results

Income statement at 31 December 2015 compared with 31 December 2014

(in thousands of Euro)

	31-Dec-15	%	31-Dec-14	%	var.
Revenues from sales and services	**342,910**	**95.56%**	**290,679**	**97.46%**	**52,231**
Change in inventories of finished products	5,201	1.45%	(2,882)	-0.97%	8,083
Other revenues	11,137	3.10%	10,450	3.50%	687
Value of Production	**359,248**	**100.00%**	**298,247**	**100.00%**	**61,001**
Raw, ancillary and consumable materials	(103,570)	-28.83%	(80,048)	-26.84%	(23,522)
Services, leases and rentals	(136,548)	-38.01%	(118,238)	-39.64%	(18,310)
Personnel costs	(84,689)	-23.57%	(75,636)	-25.36%	(9,053)
Changes in inventories of raw materials	(3,644)	-1.01%	(3,287)	-1.10%	(357)
Cost of production	**(328,451)**	**-91.43%**	**(277,209)**	**-92.95%**	**(51,242)**
Gross operating profit	**30,797**	**8.57%**	**21,038**	**7.05%**	**9,759**
D&A expenses	(17,453)	-4.86%	(16,727)	-5.61%	(726)
Provisions and other impairments	(2,247)	-0.63%	(2,391)	-0.80%	144
Net operating profit	**11,097**	**3.09%**	**1,920**	**0.64%**	**9,177**
Financial income and expense	(1,846)	-0.51%	(2,519)	-0.84%	673
Pre-tax profit	**9,251**	**2.58%**	**(599)**	**-0.20%**	**9,850**
Income taxes	(3,386)	-0.94%	(1,241)	-0.42%	(2,145)
Net profit (loss) for the period	**5,865**	**1.63%**	**(1,840)**	**-0.62%**	**7,705**

Consolidated revenues

Revenues from sales recorded a **18.0%** overall increase, from Euro 290.7 million in 2014 to Euro 342.9 million in 2015 (+52.2 million Euro).

Principal markets

As noted above, different performances were recorded in the different geographical areas where our Group operates.

In the **United States**, the year 2015 still reported very positive results, with an increase in sales of over 10% in US dollars. The positive effect expressed in Euros is definitely higher thanks to the significant appreciation of the US dollar over the European currency with respect to 2014.

The main actor of a good performance is Florida Tile, which increased its sales in all its distribution channels (Own Shops, Independent Distributors, Home Centers). The excellent growth of the Lea North America Division should be also noted.

The impact of the US market on total sales is equal to 38% (33% as at 31 December 2014).

On the **European markets**, growth stood at 11%; an excellent result, above all driven by the excellent performance reported on the Portuguese market (where Panariagroup is one of the main players), on both the German market, where initiatives focused on special distribution channels entailed important growth, and the main Eastern European markets (excluding Russia).

The European market share represents 31% of total sales (impact of 33% as at 31 December 2014).

The performance of our Group on the Italian market is positive, with a growth of around 5%, which is not representative of an actual recovery of the internal market, but rather of our acquisition of greater market shares.

The Italian market share represents 19% of total sales (22% as at 31 December 2014).

In the **"Other markets" (Asia, Canada, South America, Oceania and Africa**), the Group achieved a significant 17% growth from all the main areas. We give special attention to these Countries with the aim of achieving a greater commercial penetration, given the fact that, in our opinion, there are still opportunities for a significant growth in sales.
The "other markets" share represents 12% of total sales (aligned with 2014).

In the new global economic context, often characterised by unsteady trends, both positive and negative, the geographical diversification, which characterized the strategy of our Group, allowed us to fully leverage the growth chances offered by the greater developing areas, thus allowing us to offset the decrease in the worst-off areas. The results of our policy are clear and evident in the distribution of sales over the geographical areas in which the export share prevails (81% over total sales), with special reference to non-European markets, representing 50% of total sales.

Performance of the Group's Business Unit

As regards brands, in the Italian Business Unit the trend reversion is still ongoing, compared to the trends reported in previous years. Initiatives undertaken to widen the product range of new technologies and formats, combined with the strengthening and review of our commercial organization, started to give good results.
The multi-Brand Panariagroup Trade organization, operating on the Asian markets, as well as markets in Oceania and Western Europe, proved to be an effective model, with positive results on all pertaining areas.
The Private Label (on behalf of third parties) Division obtained important feedbacks from its customers thanks to the quality, as well as technological and aesthetic contents of our products. A significant increase in volumes sold was reported.

As regards the **Portuguese Business Unit**, the excellent development results were confirmed thanks to the consolidated organisational and commercial structure. The positive evolution of revenues in the last two years, considerably better compared to the average performance of other Portuguese competitors, made it possible that Gres Panaria Portugal, by gaining important market shares, is now the first Portuguese operator, as regards sales.

The Portuguese Business Unit expresses the price-quality concept at best, while combining high competitiveness in production costs with top quality standards in products and services rendered to customers.

The **US Business Unit** continues in its growth, with higher results than the trend reported in its reference market. The strong points of our US structure are a diversified distribution organisation, a wide product range and comprehensive services to customers, backed-up by efficient logistics and production facilities at local level. These characteristics, on a whole, render our US Division a very dynamic segment, well appreciated by professionals in the sector.

The study of the Indian market continued in 2015 thanks to our interest in the Joint Venture “AGL Panaria”. We still deem that interesting opportunities for the development of the Indian market, but also, in general, of the Asian markets might stem from this experience.

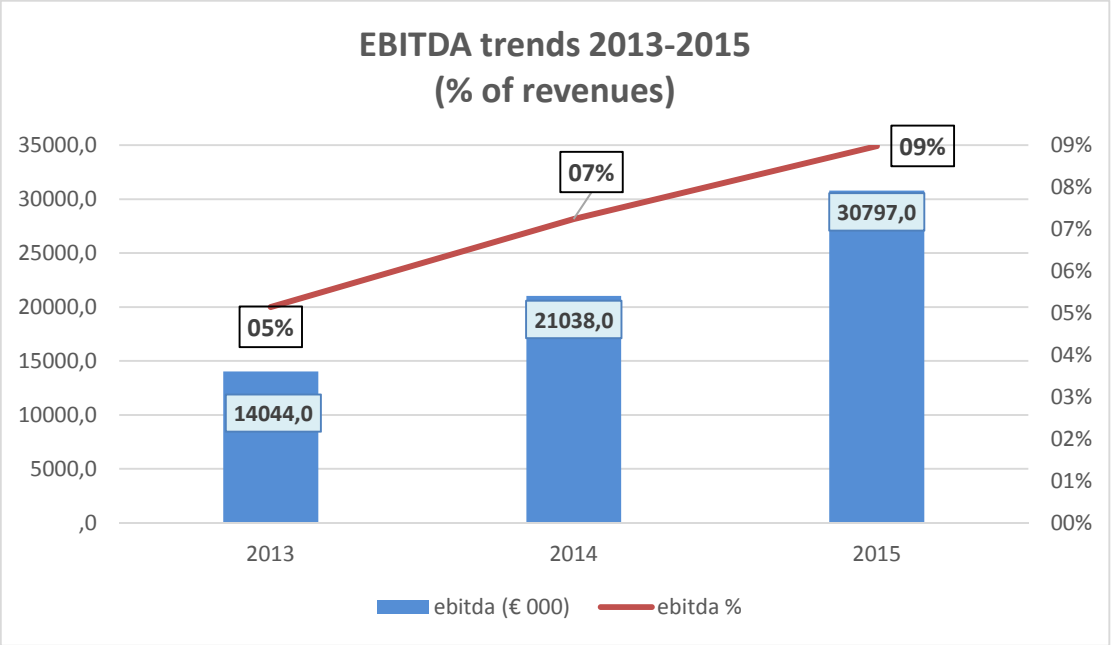
Operating results

Gross operating profit came to Euro 30.8 million, representing 8.6% of the value of production (Euro 21.0 million, 7.0%, in 2014), with an increase of Euro 9.8 million.

The increase in gross operating profit was mostly driven by the increase in sales and the larger use of the production capacity of the Group plants.

The significant reduction (down by 8%) of energy fees had a positive impact on results. These costs, in fact, are particularly relevant for our type of products.

The improvement in Gross operating profit in 2015 confirmed the positive trend already highlighted in the previous year:



The net operating profit amounted to a positive Euro 11.1 million (Euro 1.9 million in 2014), with an improvement of Euro 9.2 million.

Amortisation increased by Euro 0.7 million, compared to 2014, due to investments made, but decreased with respect to the value of production.

Financial expenses and income decreased by Euro 0.7 million, mainly due to the reduced interest rate.

The pre-tax results amounted to Euro 9.3 million (loss of Euro 0.6 million in 2014), with a significant improvement by Euro 9.9 million.

Net consolidated profit as equal to Euro 5.9 million (loss of Euro 1.8 million in 2014).

Review of the balance sheet

Financial position

(in thousands of Euro)

	31-Dec-15	31-Dec-14
Inventories	138,208	129,837
Accounts Receivable	78,031	69,877
Other current assets	11,075	9,077
CURRENT ASSETS	**227,314**	**208,791**
Account Payables	(76,037)	(58,633)
Other current liabilities	(25,429)	(25,120)
CURRENT LIABILITIES	**(101,466)**	**(83,753)**
NET WORKING CAPITAL	**125,848**	**125,038**
Goodwill	8,139	8,139
Intangible assets	5,593	2,202
Tangible assets	109,115	89,851
Equity Investments and other financial assets	189	357
FIXED ASSETS	**123,036**	**100,549**
Receivables due after following year	802	1,064
Provision for termination benefits	(5,837)	(6,575)
Provision for risk and charge	(4,333)	(4,230)
Deferred tax assets	10,699	14,111
Other payables due after the year	(7,968)	(2,647)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(6,637)**	**1,723**
NET CAPITAL EMPLOYED	**242,247**	**227,310**

Short term financial assets	(7,500)	(2,932)
Short term financial debt	36,372	40,027
NET SHORT TERM FINANCIAL DEBT	**28,872**	**37,095**
Mid-Long term financial debt	54,119	43,096
NET FINANCIAL POSITION	**82,991**	**80,191**
Group Shareholder's Equity	159,256	147,119
SHAREHOLDERS' EQUITY	**159,256**	**147,119**
TOTAL SOURCES OF FOUNDS	**242,247**	**227,310**

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

The Net Working Capital increased by only Euro 0.8 million compared to 31 December 2014, against a growth in sales of Euro 52.2 million. The NWC/Sales ratio therefore reported a significant improvement.

More in detail, it should be noted that the change in inventories (+6%) is lower than the increase in revenues (+18%), with an improvement in the turnover ratio. In addition, the level of trade receivables (+12%) increased at a lower extent compared to the increase in sales, with improved average collection times. The positive trend of the "average collection times", recorded over the last few years, is primarily attributable to the increased impact of sales on foreign markets, which feature shorter paying terms compared to the Italian markets.

The remarkable increase in payables due to suppliers (+31%) reflects the increase in production volumes and the significant investments made over the last three-month period. We will see that high attention be given in monitoring and controlling the level of Net Working Capital.

Non-current assets

Non-current assets, both property, plant and equipment and intangible assets, increased by Euro 22.5 million in 2015.

The increase was due to the following factors:

- net investments, amounting to Euro 37.6 million, carried out by the Italian Business Unit for Euro 16.9 million, the Portuguese B.U. for Euro 7.3 million and the US Business Unit for Euro 13.4 million.
- the greater value of the fixed assets of the US sub-consolidations expressed in Euro, because of the appreciation of the dollar since the end of 2014, totalling Euro 2.4 million.
- depreciation and amortisation for the period of Euro 17.5 million.

As already highlighted last year, an important two-year investment plan was started in 2015. This plan aims at casting sound basis for the expected commercial development. To this purpose, it is worth noting that investments for the year include Euro 18.1 million related to constructions in progress (of which the most important are: the third line in Lawrenceburg, the production upgrading of gres laminate and the implementation of the new SAP information system).

Net financial position

Financial cash flow
(millions euro)

	December 31, 2015	December 31, 2014
Net financial position (debt) - beginning	**(80.2)**	**90.9**
Net Result for the period	5.9	(1.8)
D & A	17.4	16.7
Net Variation Provisions	4.3	(1.0)
Non monetary changes	0.0	0.0
Internal operating Cash flow	**27.7**	**13.9**
Change in net working capital and other assets and liabilities	7.9	11.3
Net Investments	(37.4)	(13.6)
Exchange rate diff. from US$ financial statement conversions	(1.0)	(0.9)
Net financial position (debt) - final	**(83.0)**	**(80.2)**

Compared to 2014, Net Financial Indebtedness increased by Euro 2.8 million, albeit, with a clearly positive evolution of the Net Financial Position/Gross Operating Margin ratio, from 3.8 to 2.7, this debt is due to self-financing, equal to Euro 27.5 million.

It is also worth noting that in 2015 the Group entered in a medium/long-term loan of Euro 30 million, allowing for the maintenance of an adequate balance between the composition of Sources and the structure of Uses.

The improvement of NFP/GOM ratio and the financial balance is expected also for next year, and it represents one of the primary targets in management.

Equity

Equity increased from Euro 147.2 million in 2014 to Euro 159.3 million in 2015, thanks to the positive economic result for 2015 and the appreciation of the dollar over the Euro.

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:

Breakdown of assets by geographical area (amounts in thousand Euro) - IFRS classification

ASSETS	Italy	Europe	USA	Other	31-Dec-15
CURRENT ASSETS	**113,363**	**41,442**	**67,489**	**13,298**	**235,592**
Inventories	69,643	21,067	47,498	0	138,208
Trade Receivables	30,382	18,213	16,138	13,298	78,031
Due from tax authorities	3,947	1,151	234	0	5,332
Other current assets	3,912	452	2,157	0	6,521
Cash and cash equivalents	5,479	559	1,462	0	7,500
NON-CURRENT ASSETS	**56,262**	**44,993**	**50,284**	**180**	**151,719**
Goodwill	350	7,789	0	0	8,139
Intangible assets	1,997	387	3,209	0	5,593
Property, plant and equipment	43,290	34,788	31,037	0	109,115
Financial assets	0	0	9,339	180	9,519
Deferred tax assets	10,092	2,029	6,430	0	18,551
Other non-current assets	533	0	269	0	802
TOTAL ASSETS	**169,625**	**86,435**	**117,773**	**13,478**	**387,311**

	Italia	Europa	USA	Altro	TOT
Net investments 2015	**16,946**	**7,282**	**13,414**	**0**	**37,642**

Research and development activities

Research and development activities, a distinguishing feature of our Group in this sector, continued as before during 2015.

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 2015, and in particular those presented at the now regular event of CERSAIE 2015 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 2015 financial statements.

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

Reconciliation of the Parent Company's equity and net profit with the corresponding consolidated amounts

As required by CONSOB Communication DEM/6064293 of 28 July 2006, the following table reconciles the Parent Company's equity and net results with the corresponding consolidated amounts reported at 31 December 2015 (in thousands of Euro):

	2015-12		2014-12	
	Patrimonio Netto	Utile (Perdita) netto	Patrimonio Netto	Utile (Perdita) netto
As per Panariagroup Industrie Ceramiche SpA's financial statements (Partent Company)	**142,813**	**(1,103)**	**143,666**	**(2,520)**
Difference between the book value of equity investments and their value using the equity method	17,071	10,365	3,620	4,074
Elimination of unrealised gains arising on the intercompany transfer of inventories	(1,190)	(738)	(699)	(154)
Reversal of exchange losses (gains) on intercompany loan	0	(958)	0	(1,247)
Aligment to Group depreciation's rates	108	(21)	129	(22)
Recognition of deffered tax assets and (liabilities) reflecting the tax effect (where applicable) of consolidation adjustments	417	300	367	73
Elimination of unrealised gains arising from dividend disribution	0	(1,980)	0	(2,000)
Rivalutazione valore contabile di Partecipazioni in società controllate	0	0	0	0
Others	37	0	36	(45)
Net effect of consolidation adjustments	**16,443**	**6,968**	**3,453**	**679**
As per consolidated financial statements	**159,256**	**5,865**	**147,119**	**(1,841)**

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 2015, the Company has renewed a stock buy-back programme which stood as follows at 31 December 2015:

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 2014, as no purchases or sales were made during 2015.

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 2015; 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 2015 there were no atypical and/or unusual transactions, as defined in the explanatory notes.

Significant subsequent events

No significant events have taken place in the period subsequent to the end of December 2015.

Outlook for Group operations

This year as well the Group achieved the results expected in the business plans, prepared by the Management, by achieving targets in increased sales, use of the production capacity, consolidation of equity and organizational streamlining.

These achievements allowed us to reach, in 2015, a satisfactorily level of operational margins, an acknowledged and balanced soundness of assets and a more efficient and suited organization for present needs.

This improved situation is considered by us as the starting point for a further and decisive relaunch towards optimal growth levels at Group level, and more ambitious profit objectives.

However, the events that occurred at end 2015 and beginning 2016, at economic and geo-political level, slightly affected the confidence that was spreading above all in Western Countries. The slump in prices of energy sources, combined with reduced growth expectations in the Chinese economy, as well as uncertainties connected with the European banking system and terrorism, are all factors that might have a negative impact on growth expectancies and therefore on our development plans.

Price trends of energy sources will undoubtedly generate significant and immediate effects also for our Group. If, on the one side the Group will enjoy further and remarkable savings, with the expected 10% decrease, on the other hand, some key Middle Eastern markets (but in Russia as well), with an economy based on the energy market, are likely to witness a slowdown in consumption due to this market conditions.

Regardless of the above, thanks to both our balanced international framework including all geographical areas, and the important instrumental and organizational investments made over the last few years, we trust that the Group will be able to seize the best business opportunities, even in this uncertain situation.

We therefore confirm, for 2016 as well, our expectations of improvement in the main economic, financial and equity indicators (Revenues, Operating Profit, Net Result).

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

The macro-economic context is an element of potential risk for the Group, with particular reference to the specific business sector, significantly influenced by the economic situation. The construction sector in general is strongly related to the investment propensity of families and industries and is therefore influenced by the uncertainties arising from the current economic situation.

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 2014 and 2015. 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 2015 was equal to 1,590 individuals, a decrease of 32 employees compared with the average number in 2014.

Adhesion to the simplification regime, as per Art. 70 and 71 of the Issuers Regulation

Panariagroup Industrie Ceramiche S.p.A., adhered to the opt-out regime envisaged by the Consob Issuers regulation, availing itself of the faculty to be exempt from obligations to publish disclosure documents as set out on the occasion of significant mergers, demergers, acquisitions and sales, as well as capital increases through assets in kind.

Pursuant to provisions set forth in the regulation above, the Company provided for the supply of adequate disclosures.

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 DECEMBER 31, 2015							
Name and Last Name	**Investment held in**	**Number of shares held at the end of the prior year**	**Number of shares purchased in 2015**	**Number of shares sold in 2015**	**Number of shares held at 12/31/2015**	**Type of holding**	**Type of ownership**
Mussini Giuliano	Panariagroup	597,700	36,881	315,660	318,921	Direct	Property
		4,400			4,400	Spouse	Property
Mussini Giovanna	Panariagroup	250,641			250,641	Direct	Property
Pini Giuliano	Panariagroup	77,302	3,000		80,302	Direct	Property
		7,880			7,880	Spouse	Property
Mussini Emilio	Panariagroup	139,436		10,000	129,436	Direct	Property
		13,080			13,080	Spouse	Property
Mussini Paolo	Panariagroup	1,000			1,000	Direct	Property
Palandri Enrico	Panariagroup	-			-	Direct	Property
Bonfiglioli Sonia	Panariagroup	-			-	Direct	Property
Tunioli Roberto	Panariagroup	-			-	Direct	Property
Onofri Paolo	Panariagroup	-			-	Direct	Property
Muserra Francesca	Panariagroup	-			-	Direct	Property
Ascari Pier Giovanni	Panariagroup	-			-	Direct	Property
Pincelli Vittorio	Panariagroup	-			-	Direct	Property
Total		**1,091,439**	**39,881**	**325,660**	**805,660**		

ATTACHMENTS

- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as at 31 December 2015
- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as at 31 December 2014
- Reconciliation between the summary of cash flows and the IFRS-format cash flow statement

The Chairman

Sassuolo, 18 March 2016 ***Mussini Emilio***

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
Figures at 31 December 2015

STATEMENT OF FINANCIAL POSITION - IFRS

ATTIVO	31-Dec-15	RIF
CURRENT ASSETS	**235,592**	
Inventories	138,208	A
Trade Receivables	78,031	B
Due from tax authorities	5,332	C
Other current assets	6,521	D
Cash and cash equivalents	7,500	E
NON-CURRENT ASSETS	**151,719**	
Goodwill	8,139	F
Intangible assets	5,593	G
Property, plant and equipment	109,115	H
Financial assets	9,519	I
Deferred tax assets	18,551	J
Other non-current assets	802	L
TOTAL ASSETS	**387,311**	

LIABILITIES AND EQUITY	31-Dec-15	
CURRENT LIABILITIES	**138,616**	
Due to banks and other sources of finance	37,150	M
Trade payables	76,037	N
Due to tax authorities	3,000	O
Other current liabilities	22,429	P
NON-CURRENT LIABILITIES	**89,439**	
Employee severance indemnities	5,837	Q
Deferred tax liabilities	7,852	R
Provisions for risks and charges	4,333	S
Due to banks and other sources of finance	63,449	T
Other non-current liabilities	7,968	U
TOTAL LIABILITIES	**228,055**	
EQUITY	**159,256**	
Share capital	22,678	V
Reserves	130,713	W
Net profit (loss) for the year	5,865	X
TOTAL LIABILITIES AND EQUITY	**387,311**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31-Dec-15	RIF
Inventories	138,208	A
Trade Receivable	78,031	B
Other current assets	11,075	C+D-(*)
CURRENT ASSETS	**227,314**	
Trade Payables	(76,037)	N
Other current liabilities	(25,429)	O + P
CURRENT LIABILITIES	**(101,466)**	
NET WORKING CAPITAL	**125,848**	
Goodwill	8,139	F
Intangible assets	5,593	G
Property, plant and equipment	109,115	H
Equity Investments and other financial assets	189	I - (**)
FIXED ASSETS	**123,036**	
Receivables due beyond 12 months	802	L
Employee severance indemnities	(5,837)	Q
Provision for risk and charge	(4,333)	S
Provision for deferred taxes	10,699	J+R
Other liabilities due beyond 12 months	(7,968)	U
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**(6,637)**	
NET CAPITAL EMPLOYED	**242,247**	
Short term financial assets	(7,500)	E
Short term financial indebtedness	36,372	M - (*)
NET SHORT TERM FINACIAL INDEBTEDNESS	**28,872**	
Mid-Long term financial debt	54,119	T - (**)
NET MID-LONG TERM FINACIAL INDEBTEDNESS	**54,119**	
NET FINANCIAL POSITION	**82,991**	
Group Shareholders' Equity	159,256	V+W+X
SHAREHOLDERS' EQUITY	**159,256**	
TOTAL SOURCES OF FOUNDS	**242,247**	

(*) CURRENT PORTION OF IRB **778**
Classified under current assets in the IFRS satatement of financial position
Included in the short-term financial indebtedness in the reclassified statement of financial position

(**) NON - CURRENT PORTION OF IRB **9,330**
Classified under financial assets in the IFRS statement of financial position
Included in the long-term financial indebtedness in the reclassified statement of financial position

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
Figures at 31 December 2014

STATEMENT OF FINANCIAL POSITION - IFRS

ATTIVO	31-Dec-14	RIF
CURRENT ASSETS	**212,420**	
Inventories	129,837	A
Trade Receivables	69,877	B
Due from tax authorities	5,006	C
Other current assets	4,768	D
Cash and cash equivalents	2,932	E
NON-CURRENT ASSETS	**131,003**	
Goodwill	8,139	F
Intangible assets	2,202	G
Property, plant and equipment	89,851	H
Financial assets	9,421	I
Deferred tax assets	20,326	J
Other non-current assets	1,064	L
TOTAL ASSETS	**343,423**	

LIABILITIES AND EQUITY	31-Dec-14	
CURRENT LIABILITIES	**124,477**	
Due to banks and other sources of finance	40,724	M
Trade payables	58,633	N
Due to tax authorities	3,198	O
Other current liabilities	21,922	P
NON-CURRENT LIABILITIES	**71,827**	
Employee severance indemnities	6,575	Q
Deferred tax liabilities	6,215	R
Provisions for risks and charges	4,230	S
Due to banks and other sources of finance	52,160	T
Other non-current liabilities	2,647	U
TOTAL LIABILITIES	**196,304**	
EQUITY	**147,119**	
Share capital	22,678	V
Reserves	126,282	W
Net profit (loss) for the year	(1,841)	X
TOTAL LIABILITIES AND EQUITY	**343,423**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31-Dec-14	RIF
Inventories	129,837	A
Trade Receivable	69,877	B
Other current assets	9,077	C+D-(*)
CURRENT ASSETS	**208,791**	
Trade Payables	(58,633)	N
Other current liabilities	(25,120)	O + P
CURRENT LIABILITIES	**(83,753)**	
NET WORKING CAPITAL	**125,038**	
Goodwill	8,139	F
Intangible assets	2,202	G
Property, plant and equipment	89,851	H
Equity Investments and other financial assets	357	I - (**)
FIXED ASSETS	**100,549**	
Receivables due beyond 12 months	1,064	L
Employee severance indemnities	(6,575)	Q
Provision for risk and charge	(4,230)	S
Provision for deferred taxes	14,111	J+R
Other liabilities due beyond 12 months	(2,647)	U
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**1,723**	
NET CAPITAL EMPLOYED	**227,310**	
Short term financial assets	(2,932)	E
Short term financial indebtedness	40,027	M - (*)
NET SHORT TERM FINACIAL INDEBTEDNESS	**37,095**	
Mid-Long term financial debt	43,096	T - (**)
NET MID-LONG TERM FINACIAL INDEBTEDNESS	**43,096**	
NET FINANCIAL POSITION	**80,191**	
Group Shareholders' Equity	147,119	V+W+X
SHAREHOLDERS' EQUITY	**147,119**	
TOTAL SOURCES OF FOUNDS	**227,310**	

(*) CURRENT PORTION OF IRB **697**
Classified under current assets in the IFRS satatement of financial position
Included in the short-term financial indebtedness in the reclassified statement of financial position

(**) NON - CURRENT PORTION OF IRB **9,064**
Classified under financial assets in the IFRS statement of financial position
Included in the long-term financial indebtedness in the reclassified statement of financial position

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.

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

NET FINANCIAL POSITION

(THOUSANDS OF EURO)

		31-Dec-15
	Short-term securities	(778)
A	Cash and cash equivalents	(7,500)
	Short-term financial assets	**(8,278)**
	Long-term securities	(9,330)
	Long-term financial assets	**(9,330)**
B	Due to banks	14,230
	Current portion of long-term loans	21,885
	Leases	1,035
	Short-term financial indebtedness	**37,150**
	Non-current portion of long-term loans	53,467
	Leases	9,982
	Long-term financial indebtedness	**63,449**
	Net financial indebtedness	**82,991**

A+B	**Net short-term financial indebtedness**	**6,730**
	(as reported in IFRS cash flow statement)	

C	**Total net financial position**	**82,991**
	(as reported in summary of cash flow contained in the Director's Report)	

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

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

(Thousands of Euro))	**31-Dec-15**	
A - OPERATIONS		
Profit (loss) of the year	5,865	**A**
Depreciation and amortisation	17,445	**B**
Deferred tax liabilities (assets)	3,967	**C**
Net change in provisions	339	**D**
Tax effect on elimination of intercompany exchange rates	(346)	**E**
Revaluation and write-down of the value of equity investments	168	**Q**
Cash flow (absorption) from operations prior to changes in working capital	*27,438*	
(Increase)/(decrease) in trade receivables	(7,048)	
(Increase)/(decrease) in inventories	(4,147)	
(Increase)/(decrease) in trade payables	15,329	
Net change in other assets/liabilities	3,772	
Cash flow (absorption)from operations due to changes in working capital	*7,906*	**F**
Total (A) Cash flow from operations	**35,344**	
B - INVESTMENT ACTIVITY	(37,385)	**H**
Net investment in tangible assets	-	**J**
Net investment in financial assets	-	**K**
Total (B) Cash Flow (absorption) from investment activities	**(37,385)**	
C - FINANCING ACTIVITY		
Increase in capital	-	
Distribution of dividends	-	
Non monetary changes allocated to Equity	228	**P**
Other changes in equity		**G**
(Purchase) Sale of treasury shares	-	**M**
Net change in loans	5,869	
Total (C) Cash Flow (absorption) from financing activities	**6,097**	
Opening net cash (indebtedness)	**(9,808)**	
Change in the translation reserve	**(977)**	**N**
Net change in short-term net cash (indebtedness) (A+B+C)	**4,056**	
Closing net cash (indebtedness)	**(6,730)**	**(X)**

Financial cash flow
(thousands euro)

	31-Dec-15	
Net financial position (debt) - beginning	**(80,192)**	
Net Result for the period	5,865	**A**
D & A	17,445	**B**
Net Variation Provisions	4,306	**C+D**
Non monetary changes	49	**E+G+P**
Internal operating Cash flow	**27,665**	
Change in net working capital and other assets and liabilities	7,898	**F**
Net Investments	(37,385)	**H +J**
Exchange rate diff. from US$ financial statement conversions	(977)	**M + N + K**
Net financial position (debt) - final	**(82,991)**	**(Z)**

For a better understanding of the exchange rate effect on the Net Financial Position, a cash flow presentation method has been used; in this format, the changes in the individual components of equity are “net” of the exchange rate effect which is incorporated in full in the item "change in NFP due to exchange rate effect". This item represents the actual impact of the change in exchange rates on the Group’s Net Financial Position.

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENTS

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION
(THOUSANDS OF EURO)

rif	ASSETS	31-Dec-15	31-Dec-14
	CURRENT ASSETS	**235,592**	**212,420**
1.a	Inventories	138,208	129,837
1.b	Trade Receivables	78,031	69,877
1.c	Due from tax authorities	5,332	5,006
1.d	Other current assets	6,521	4,768
1.e	Cash and cash equivalents	7,500	2,932
	NON-CURRENT ASSETS	**151,719**	**131,003**
2.a	Goodwill	8,139	8,139
2.b	Intangible assets	5,593	2,202
2.c	Property, plant and equipment	109,115	89,851
2.d	Financial assets	9,519	9,421
2.e	Deffered tax assets	18,551	20,326
2.f	Other non-current assets	802	1,064
	TOTAL ASSETS	**387,311**	**343,423**

	LIABILITIES	31-Dec-15	31-Dec-14
	CURRENT LIABILITIES	**138,616**	**124,477**
3.a	Due to banks and other sources of finance	37,150	40,724
3.b	Trade payables	76,037	58,633
3.c	Due to tax authorities	3,000	3,198
3.d	Other current liabilities	22,429	21,922
	NON-CURRENT LIABILITIES	**89,439**	**71,827**
4.a	Employee severance indemnities	5,837	6,575
4.b.	Deferred tax liabilities	7,852	6,215
4.c	Provisions for risks and charges	4,333	4,230
4.d	Due to banks and other sources of finance	63,449	52,160
4.e	Other non-current liabilities	7,968	2,647
	TOTAL LIABILITIES	**228,055**	**196,304**
5	**EQUITY**	**159,256**	**147,119**
	Share capital	22,678	22,678
	Reserves	130,713	126,282
	Net profit for the year	5,865	(1,841)
	TOTAL LIABILITIES AND EQUITY	**387,311**	**343,423**

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PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

rif	INCOME STATEMENTS - IFRS (THOUSANDS OF EURO)	31-Dec-15		31-Dec-14	
6.a	**REVENUES FROM SALES AND SERVICES**	**342,910**	**95.5%**	**290,679**	**97.5%**
	Change in inventories of finished products	5,201	1.4%	(2,882)	-1.0%
6.b	Other revenues	11,137	3.1%	10,450	3.5%
	VALUE OF PRODUCTION	**359,248**	**100.0%**	**298,247**	**100.0%**
7.a	Raw materials	(103,570)	-28.8%	(80,048)	-26.8%
7.b	Services, leases and rentals	(136,548)	-38.0%	(118,238)	-39.6%
	of whic, related party transactions	*(5,449)*	*-1.5%*	*(5,441)*	*-1.8%*
7.c	Personell costs	(84,689)	-23.6%	(75,636)	-25.4%
7.d	Other operating expenses	(3,644)	-1.0%	(3,287)	-1.1%
	PRODUCTION COSTS	**(328,451)**	**-91.4%**	**(277,209)**	**-92.9%**
	GROSS OPERATING PROFIT	**30,797**	**8.6%**	**21,038**	**7.1%**
8.a	Amortisation and depreciation	(17,453)	-4.9%	(16,727)	-5.6%
8.b	Provisions and writedowns	(2,247)	-0.6%	(2,391)	-0.8%
	NET OPERATING PROFIT	**11,097**	**3.1%**	**1,920**	**0.6%**
9.a	Financial income (expense)	(1,846)	-0.5%	(2,519)	-0.8%
	PRE-TAX PROFIT	**9,251**	**2.6%**	**(599)**	**-0.2%**
10.a	Income taxes	(3,386)	-0.9%	(1,242)	-0.4%
	NET PROFIT	**5,865**	**1.6%**	**(1,841)**	**-0.6%**
	BASIC AND DILUTED EARNING PER SHARE	**0.129**		**(0.041)**	

PANARIAGROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EURO)

	31-Dec-15	31-Dec-14
NET PROFIT (LOSS) FOR THE PERIOD	**5,865**	**(1,841)**
Other components of comprehensive income that will be reclassified later to after-tax profit	**6,044**	**6,297**
Exchange rate differences from foreign operations	6,044	6,297
Other components of comprehensive income that will NOT be reclassified later to after-tax profit	**228**	**(497)**
Joint-Venture losses- Applying the Equity Method of accounting	(8)	37
(loss) Net Profit from revaluation of defined benefits and plans	258	(534)
Other	(22)	0
COMPREHENSIVE INCOME FOR THE PERIOD	**12,137**	**3,959**

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

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

(in thousands of Euro)	December, 31 2015	2014
A - OPERATIONS		
Net Result of the period	5,865	(1,841)
Amortisation, depreciation and impairments	17,445	16,714
Deferred tax liabilities (assets)	3,967	121
Net change in provisions	339	(172)
Tax effect on elimination of intercompany exchange rates	(346)	(473)
Revaluation and writedowns of partecipation	*168*	*0*
Cash flow (absorption) from operations prior to changes in working capital	*27,438*	*14,349*
(Increase)/decrease in trade receivables	(7,048)	(1,619)
(Increase)/decrease in inventories	(4,147)	3,969
Increase/(decrease) in trade payables	15,329	6,027
Net change in other assets/liabilities	3,772	2,913
Cash flow (absorption)from operations due to changes in working capital	*7,906*	*11,290*
Total (A) Cash flow from operations	**35,344**	**25,639**
B - INVESTMENT ACTIVITY		
Net investment in tangible and intangible assets	(37,385)	(13,578)
Total (B) Cash Flow /absorption) from investment activities	**(37,385)**	**(13,578)**
C - FINANCING ACTIVITY		
Increase in capital	-	-
Distribution of dividends	-	-
Other changes in equity	228	(497)
(Purchase) Sale of treasury shares	-	-
Delivery of new loans	30,000	11,057
Loans repayment	(24,131)	(21,969)
Total (C) Cash Flow (absorption) from financing activities	**6,097**	**(11,409)**
Opening net cash (indebtedness)	**(9,808)**	**(9,556)**
Change in the translation reserve	**(977)**	**(904)**
Net change in short-term net cash (indebtedness) (A+B+C)	**4,056**	**652**
Closing net cash (indebtedness)	**(6,730)**	**(9,808)**
Supplementary information:		
Interest paid	1,145	1,536
Income taxes paid	742	659

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

(*) For a better understanding of the exchange rate effect on the Net Financial Position, a cash flow presentation method has been used; in this format, the changes in the individual components of equity are “net” of the exchange rate effect which is incorporated in full in the item "change in NFP due to exchange rate effect". This item represents the actual impact of the change in exchange rates on the Group’s Net Financial Position.

PANARIAGROUP

Statement of changes in consolidated equity from 1 January 2014 to 31 December 2015

(THOUSANDS OF EURO)	*Share Capital*	*Share premium reserve*	*Revaluation reserve*	*Legal reserve*	*Other reserves*	*Translation reserve*	*Retained earnings*	*Net profit (loss) attributable to the Group*	*Total equity*
Balance as of 1 January 2014	**22,678**	**60,783**	**4,493**	**3,771**	**47,736**	**(3,752)**	**15,302**	**(7,851)**	**143,160**
Net result for the period								(1,841)	(1,841)
Other comprehensive profit (loss)					(497)	6,297			5,800
Total gains (losses) booked directly to equity					**(497)**	**6,297**		**(1,841)**	**3,959**
Allocation of net profit for year 2013				187	3,562		(11,600)	7,851	
Balance as of 31 December 2014	**22,678**	**60,783**	**4,493**	**3,958**	**50,801**	**2,545**	**3,702**	**(1,841)**	**147,119**
Balance as of 1 January 2015	**22,678**	**60,783**	**4,493**	**3,958**	**50,801**	**2,545**	**3,702**	**(1,841)**	**147,119**
Net result for the period								5,865	5,865
Other comprehensive profit (loss)					228	6,044			6,272
Total gains (losses) booked directly to equity					**228**	**6,044**		**5,865**	**12,137**
Allocation of net profit for year 2014					(1,841)			1,841	
Balance as of 31 December 2015	**22,678**	**60,783**	**4,493**	**3,958**	**49,188**	**8,589**	**3,702**	**5,865**	**159,256**

PANARIAGROUP

EXPLANATORY NOTES

INTRODUCTION

Panariagroup Industrie Ceramiche S.p.A. (hereinafter also 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 companies that make up the Panaria Group (the "Group") produce and sell ceramic tiles for floors and wall coverings.

The consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the provisions issued in implementation of article 9 of Leg. Decree 38/2005
The term IFRS is understood as including all of the revised international accounting standards (IAS), and all of the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named 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 currency used to draw up the consolidated financial statements for the period 1 January – 31 December 2015 (hereinafter also: “the consolidated financial statements”) is the Euro. The Group's foreign operations are included in the consolidated financial statements using the principles indicated in the section below entitled “Accounting Principles”.

The consolidated financial statements include:

- the consolidated balance sheet as at 31 December 2015 compared with the consolidated balance sheet as at 31 December 2014. 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 consolidated income statement for 2015, compared with the one for 2014.

  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 Group’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;
- *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.

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 consolidated comprehensive income for 2015 with comparative figures for the year 2014, presented in accordance with the requirements of IAS 1 revised.

- the consolidated cash flow statement for 2015 and 2014. 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;

- A statement of changes in consolidated equity from 1 January 2014 to 31 December 2015.

- the explanatory notes (with related attachments).

1) GENERAL INFORMATION ON THE GROUP

The companies that make up the Panaria Group produce and sell ceramic tiles for floors and wall coverings.
The Group's products are sold in more than 60 countries under eight distinctive brand names: Panaria, Lea, Cotto d'Este, Fiordo, Blustyle, Margres, Love Tiles and Florida Tile.

The Parent Company is **Panariagroup Industrie Ceramiche S.p.A.** 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 other companies included in the scope of consolidation are:

- **Gres Panaria Portugal S.A.**, with head office in Ilhavo, Portugal, share capital Euro 16,500,000 fully paid-in, 100% controlled by Panariagroup Industrie Ceramiche S.p.A.
- **Panariagroup USA Inc.,** with head office in Delaware, USA and share capital of USD 65,500,000 fully paid-in, 100% controlled by Panariagroup Industrie Ceramiche S.p.A.
- **Lea North America LLC.**, with head office in Delaware, USA, and share capital of USD 20,000 fully paid-in, 100% controlled by Panariagroup USA Inc.
- **Florida Tile Inc**., with head office in Delaware, USA and share capital of USD 34,000,000 fully paid-in, 100% controlled by Panariagroup USA Inc.
- **Montanari Ceramiche S.r.l.** with head office in Crespellano, Italy and share capital of Euro 48,000 paid-in, 100% controlled by Panariagroup Industrie Ceramiche S.p.A.
- **Panariagroup Immobiliare S.r.l.**, with head office in Finale Emilia, Italy and share capital of Euro 10,000 paid-in, 100% controlled by Panariagroup Industrie Ceramiche S.p.A.

These companies are thus all 100% controlled, directly or indirectly, by Panariagroup Industrie Ceramiche S.p.A.

The Group also participates (50%) in a Joint Venture Company (JVC), in the company AGL Panaria, based in Ahmedabad in the Indian state of Gujara, together with AGL India, one of the leading manufacturers in the Indian market.

The scope of consolidation did not change with respect to 31 December 2014.

2) ACCOUNTING PRINCIPLES

Consolidation methods

The consolidated financial statements for the year ended 31 December 2015 include the financial statements of Panariagroup Industrie Ceramiche S.p.A. and of those companies over which it exercises direct or indirect control, as defined in paragraphs 12 to 17 of IAS 27.
This standard states that control over another enterprise exists when the company has the power to determine its financial and operating policies so that the company can obtain benefits from the other's activity.

Subsidiaries are consolidated from the date on which the Group takes over control and are excluded from the scope of consolidation from the date on which such control ceases to exist.

Where necessary, adjustments are made to the subsidiaries' financial statements to bring them into line with Group accounting policies.

The carrying value of investments in consolidated companies held by the Parent or by other Group companies is eliminated against the related portion of equity and their assets and liabilities are combined on a line-by-line basis.
The excess value of equity investments over the related portion of equity at the time of acquisition, if any, is allocated firstly to assets and liabilities whose fair values are higher than their book values; any residual amount is booked to goodwill. In accordance with the transitional provisions of IFRS 3, the Group has changed its accounting policy prospectively for the Maronagres goodwill as from the transition date (1 January 2004). In other words, starting on this date, the Group has stopped amortising the Maronagres goodwill and now tests it for impairment. The other goodwill has been generated since the transition date and so has never been amortised.

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 2015, the Group held a joint venture company (JVC). This equity investment was valued in the consolidated financial statements 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.

An evaluation will be performed each year to check if the facts and circumstances have changed as such to modify the equal partnership between the parties in the joint venture agreement.

All significant intercompany transactions and balances between Group companies are eliminated on consolidation.

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, 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 2015 do not differ from those used to draft the consolidated financial statements for the year ended 31 December 2014, with the exception of the accounting standards, amendments and interpretations applicable from 1 January 2015.

In particular, the following amendments were made:

- IFRIC 21 Levies. The interpretation provides clarifications on when a liability associated with levies (other than income taxes) imposed by a government body is recognised. The principle deals with both the liabilities for levies falling within the scope of application of IAS 37 - Provisions, contingent liabilities and contingent assets, and those for the levies whose timing and amount are certain.
- IFRS 3 - Business Combinations. The amendment clarifies that paragraph 2(a) of IFRS 3 leaves the formation of all types of joint arrangement out of the scope of application of IFRS 3, as defined by IFRS 11.
- IFRS 13 - Fair value measurement. The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included in the scope of application of IAS 39, regardless of the fact they meet the definition of financial assets and liabilities provided by IAS 32.
- IFRS 40 - Investment property. The amendment clarifies that when determining whether a transaction represents the purchase of an asset or company combination, IFRS 3 must be used and not the description of additional services of IAS 40.

These amendments did not impact the Group’s financial statements.

The standards, amendments and interpretations are indicated below which, at the date of drafting of the consolidated financial statements, had already been approved by the European Union but not yet mandatory to apply and not yet adopted in advance by the Group as at 31 December 2015;

- Amendments to IAS 19 on employee benefits: the amendment proposes presenting the contributions (regarding only the service rendered by the employee during the year) made by the employees or third parties to the defined benefit plans that reduce the service cost of the year in which said contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011) where it is deemed that these contributions are to be interpreted as part of a post-employment benefit instead of a short-term benefit, so this contribution has to be spread out over the years of the employee's service.

- Amendments to IFRS 11 – Joint arrangements: Amendments regarding the accounting of the acquisition of interests in a joint operation whose activities constitutes a business in the meaning established by IFRS 3. The amendments require that the principles set out in IFRS 3 regarding the recognition of the effects of a business combination as at 1 January 2016 or afterwards be applied for these cases.
- Amendments to IAS 16 and to IAS 38: The amendments to IAS 16 establish that the depreciation criteria determined based on the revenues are inappropriate since, according to the amendment, the revenues generated by an asset that includes use of the asset depreciated usually reflect factors other than just consumption of the economic benefits of the same asset. The amendments to IAS 38 introduce a relative presumption according to which a depreciation criterion based on revenues is usually considered inappropriate for the same reasons established by the amendments introduced to IAS 16. In the case of the intangible assets, this presumption can, on the other hand, be surpassed, but only in limited and specific circumstances.
- Amendments to IAS 27 - Equity method in the separate financial statements: with the amendment to IAS 27 Separate financial statements, the IASB introduced the right to value the equity investments in subsidiaries, associates or joint ventures in the separate financial statement using the equity method. This right, which was first barred, is added to the other two options that have been kept: cost or fair value method, in compliance with IAS 39 or IFRS 9. The right to use the equity method for all or some categories of equity investments has to be retroactively applied in the separate financial statements.
- Amendments to IAS 1: disclosure initiative. With the Disclosure Initiative the IASB clarified the following aspects with reference to presentation of financial statements:
  - emphasis on the meaningfulness of the supplementary information of the financial statements
  - order of the explanatory notes to the financial statements
  - aggregation/breakdown of the items of the financial statements
  - sub-totals in the financial statements
  - other components in the statement of comprehensive income regarding associates and joint ventures valued with the equity method.
- Improvements introduced to the international accounting standards Cycle 2010-2012: the objective of the annual improvements is to deal with necessary subjects regarding inconsistencies found in the IFRSs or with terminological clarifications that are not urgent, but have been discussed by the ASB during the project cycle started in 2011. In some cases, the amendments are clarifications or corrections regarding the standards in question (IFRS 8, IAS 16, IAS 24 and IAS 38). In other cases, the amendments involve changes to the instructions in force or provide further information regarding their application (IFRS 2 and 3).
- Annual cycle of improvements to the 2012-2014 IFRSs. These improvements regard: IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments listed above will be in effect starting from the financial years starting from 1 January 2016 with no significant impact on the Group's financial statements.

Lastly, the accounting standards, amendments and IFRS interpretations not yet approved by the European Union are provided:

- IFRS 15 - Revenue from contracts with customers. The standard establishes a new model of recognising revenues that will apply to all contracts stipulated with the customers except for those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The basic steps for accounting the revenues according to the new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations of the contract;
  - determination of the price;
  - allocating the price to the performance obligations of the contract;
  - the revenue recognition criteria when the entity meets each performance obligation.

  This standard is effective for years starting on or after 1 January 2018.
- IFRS 16 – Leasing. With new innovations compared to the past, the standard establishes that the leases are represented on the balance sheets of the companies, thus increasing visibility of their assets and liabilities. IFRS 16 does away with the distinction between operating leasing (for the lessee - the customer of the lease) and treats all the contracts in question like financial leases. The short-term contracts (within 12 months) and those covering goods of low value (e.g., personal computers) are exempt from this treatment. The new standard will go into effect starting 1 January 2019. Early application is allowed provided the recent IFRS 15 standard Revenue from Contracts with Customers is also applied.
- IFRS 9 – Financial instruments. The document contains the results of the phases relating to Classification and measurement, Impairment and Hedge accounting of the IASB project aimed at replacing IAS 39. The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for the financial assets the new standard uses a unique approach based on the methods of managing financial instruments and on the features of the contractual cash flows of the financial assets in order to determine their measurement criterion, replacing the different rules provided for by IAS 39. For the financial liabilities, on the other hand, the main amendment regards the accounting treatment of the changes in fair value of a financial liability designated as financial liability measured at fair value through the income statement if these changes are due to the change in the credit rating of the issuer of the same liability. According to the new standard, these changes must be recognised in the "Other comprehensive income" statement, and no longer in the income statement. With reference to the impairment model, the new standard requires that the estimate of the losses on receivables be made based on the expected losses model (and not on the incurred losses model), using supportable information available without expense or unreasonable efforts that include current and perspective historical data. The standard establishes that this impairment model be applied to all financial instruments, or to the financial assets measured at amortised cost, to those measured at fair value through other comprehensive income, to the receivables coming from rent contracts and to the trade receivables. Lastly, the standard introduces a new hedge accounting model in order to adjust the requirements set out in the current IAS 39, which sometimes have been considered too strict and not suitable for reflecting the risk management policies of the companies. The main innovations of the document concern:

- increase in the types of eligible transactions for hedge accounting, also including the risks of non-financial assets/liabilities eligible for being managed in hedge accounting;
- change in the method of accounting forward contracts and the options when included in a hedge accounting relationship in order to reduce the volatility of the income statement;

This standard is effective for years starting on or after 1 January 2018.

- Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses. The IASB clarifies how the deferred tax assets regarding debt instruments measured at fair value have to be recognised.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method described in IFRS 3. The purchase cost is determined by the sum of the fair values, as of the transaction date, of the assets acquired, the liabilities incurred or taken over, and the financial instruments issued by the Group in exchange for control of the enterprise acquired, plus the costs directly attributable to the business combination.

The identifiable assets, liabilities and contingent liabilities acquired that comply with the conditions for recognition contained in IFRS 3 are booked at their fair values at the acquisition date, accounting for the tax effect of the difference between their fair and book values.

Any positive difference between the purchase cost and the Group's portion of the fair value of such assets and liabilities is booked as goodwill, if this is justified, and capitalised as an intangible asset. If, after the redetermination of these fair values, the Group's portion of the fair values of the identifiable assets, liabilities and contingent liabilities exceeds the purchase cost, the excess is immediately written off to the income statement, as IFRS 3 does not allow the recognition of negative goodwill.

Minority interests in the acquired enterprise are initially valued at an amount equal to their portion of the fair values of the identifiable assets, liabilities and contingent liabilities.

Goodwill

Goodwill deriving from the acquisition of a subsidiary or joint venture represents the excess purchase cost compared with the Group's portion of the fair value of the subsidiary or joint venture's assets, liabilities and contingent liabilities identifiable at the acquisition date. Goodwill is recognised as an asset if the excess cost paid can be justified as such. It is not amortised, but the value is reviewed annually to ensure that it has not suffered impairment. Impairment losses are booked immediately to the income statement and are not subsequently reinstated.

If a subsidiary is sold, the amount of any goodwill attributable to it is to be taken into account when calculating the disposal gain or loss.

During the first-time adoption of IFRS, the Group elected not to apply IFRS 3 – Business

combinations retroactively to acquisitions of companies concluded prior to 1 January 2004; consequently, the Maronagres goodwill, the only goodwill generated by an acquisition prior to the IFRS transition date, was maintained at the previous value determined according to Italian GAAP, based on prior verification and recognition of any impairment.

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; in the absence of specific indications, for software this is generally considered to be 5 years.

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 a consolidated 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.

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 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 capitalised, the development costs are written off to 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 over their estimated useful life.

In the absence of specific indications, for trademarks and patents 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 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% - 20%
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.

Impairment losses

At each balance sheet date, the Group reviews the book value of its tangible and intangible assets for any signs that these assets may have suffered a loss in value. If there are signs that this is the case, the recoverable value of such assets is estimated so as to determine the amount of the write-down. When it is not possible to estimate the recoverable amount of an asset individually, the Group makes an estimate of the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Intangible assets with an indefinite useful life, which refer exclusively to goodwill, are tested annually for impairment and any other time that there are signs of a possible loss in value.

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.

If a write-down is no longer justified, the book value of the asset (or of the CGU), except for goodwill, is increased to the new value deriving from an estimate of its recoverable value, though this cannot be more than the net book value that the asset would have had if an impairment loss had not been recognised. Write-backs are booked to the income statement immediately, unless the asset was booked at revalued cost as the deemed historical cost on the transition to IFRS, in which case the write-back is booked to the related revaluation reserve.

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 Group 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 consolidated 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 proof that the receivables have suffered an 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 Group 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 Group's activities are primarily exposed to financial risks arising from changes in exchange rates. In certain cases, the Group 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 income in the period they arise.

Provisions

Provisions are recognised in the financial statements when the Group 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.

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.

Trade payables

Trade payables are booked at their face value.

Financial liabilities

The financial liabilities are classified according to the substance of the contractual agreements that generated them and according to the respective definitions of financial liabilities

Equity instruments

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

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 are deducted directly from equity: gains and losses realised on their disposal are booked directly to the equity reserves.

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Revenue recognition

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

Foreign currency transactions

The financial statements of the individual Group companies are prepared in the currency of the main economic environment in which they operate (functional currency). For consolidation purposes, the financial statements of each foreign entity are expressed in euro, which is the functional currency of the Group and the currency in which the consolidated financial statements are presented. In preparing the financial statements of the individual entities, 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.

For the presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries that use functional currencies other than the euro are translated at the exchange rates ruling on the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period. The exchange differences that arise as a result of this exercise are booked to the translation reserve in equity. The positive or negative balance on this reserve is then transferred to the income statement in the period when the subsidiary concerned is sold.

The companies that prepared financial statements in currencies other than the euro were as follows:

	Reporting currency
Lea North America LLC.	USD
Panariagroup USA Inc.,	USD
Florida Tile Inc.	USD

The EUR/USD exchange rates used to translate these financial statements are as follows:

	31-Dec-15	**31-Dec-14**
Average exchange rate for the period	1.1095	1.3285
Current exchange rate at the balance sheet date	1.0887	1.2141

In accordance with IAS 12, exchange differences originating from the elimination of intragroup foreign currency loans, that form part of an investment in a foreign operation, are recognised as a separate component of equity, net of the related tax; such exchange differences are recognised in profit or loss only when the investment is sold.

Following the application of IAS 1 (revised in 2007), exchange differences arising from foreign operations are now reported in the statement of comprehensive income.

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 Group 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.
On the basis of the new changes introduced by the Italian 2016 "Legge di Stabilità" (Stability Law) already approved when these financial statements were drafted, which

provide for a reduction in the IRES rate starting from the year that will end on 31 December 2017 (24% reduction), the deferred taxes were adjusted to the new rate and to the extent of realisation and extinction on a date after 31 December 2016.
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 consolidated 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 Group's consolidated financial statements.

Goodwill – Estimate of the degree of recoverability

The Group is showing various amounts of goodwill that arose on company acquisitions.
These amounts of goodwill are not amortised, but 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. In the event that future business and market scenarios differ from those assumed when preparing the forecasts, the value of goodwill could be subject to write-down, or a write-down that differs from that already recorded.

Inventory valuation and provision for slow-moving and obsolete goods

The Group 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 Group, 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 Group 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 Group 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 Group also consults with its lawyers on the problems involved in the disputes that arise as part of the Group'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 Group'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 Group's balance sheet, financial position, results and cash flow.

Financial risks and derivatives

The Group 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 Group is exposed fall into the following categories:

a) Exchange rate risk

The Group 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.
In some cases, the Group has hedged exchange rate risk by taking out derivatives such as interest rate swaps.
See the "Financial income and expense" section of these notes for the sensitivity analysis required by IFRS 7.

b) Credit risk

The Group deals only with known, reliable customers. The Group has procedures for assigning credit to its customers that limit the maximum exposure to every position. In addition, the Group has extensive insurance coverage against its receivables from foreign customers.
The Group 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 Group to the risk of fluctuating cash flows associated with interest payments. Fixed-rate loans expose the Group to the risk of change in the fair value of the loans themselves.

The Group'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 Group 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 Group'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 Group 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.

3) OTHER INFORMATION

Presentation of the consolidated financial statements

To assist readers, the consolidated financial statements are stated in thousands of Euro.

Subsequent events

There are no matters worth mentioning.

4) COMMENTS ON THE PRINCIPAL ASSET CAPTIONS

1. CURRENT ASSETS

1.a. Inventories

As at 31 December 2015, this is composed of the following:

	31-Dec-15	31-Dec-14
Raw, ancillary and consumable materials	12,965	12,093
Work in progress	2,215	2,335
Finished products	134,710	126,370
Buildings held for sale	2,463	2,603
Provision for depreciation: buildings held for sale	(535)	(460)
Provision for obsolescence	(13,610)	(13,104)
	138,208	**129,837**

The overall value of inventories rose (+8.4 million, 6.4%) compared to 31 December 2014. This growth is due to both the increased stocks in m2 and the appreciation of the dollar against the euro, which made an impact totalling Euro 4.8 million.
The stocks stated in volumes (m2) increased by 7%, a change that is however less than the greater volumes produced during the year owing to the Group's efforts to optimise the level of inventory by carefully scheduling production and the disposal activities.

Inventories of finished products are shown net of a provision for obsolescence of Euro 13,610 thousand at 31 December 2015 (Euro 13,104 thousand at 31 December 2014),

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.

Inventories include Euro 2,463 thousand of buildings held for sale (mainly apartments), net of an impairment charge of Euro 535 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

The item “Trade receivables” is composed of:

	31-Dec-15	31-Dec-14
Trade receivables	83,965	75,412
Provision for bad and doubtful accounts	(5,934)	(5,535)
	78,031	**69,877**

Gross trade receivables are down by around 11.3% compared to 31 December 2014, with this being proportionally greater than the growth in revenue, which reveals an improvement in "average days of collection".

The item “Trade receivables” includes around Euro 5 million in receivables overdue by more than 120 days (equal to roughly 6 % of total receivables); the provision for bad and doubtful accounts, amounting to Euro 5.9 million, reflects an economic estimate of the recoverable value of total receivables, based on the information available at the time of preparing the consolidated financial statements.

As in previous periods, the Group did not factor any of its receivables during the year.

1.c. Due from tax authorities

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

	31-Dec-15	31-Dec-14
VAT receivable	1,981	1,905
Advance tax payments	1,318	925
Other amounts due from tax authorities	2,033	2,176
	5,332	**5,006**

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

"Advance tax payments" refer to the balance between the advance payments made and income taxes due for the period.

The item "Other amounts due from tax authorities" mainly refers to the Euro 1.7 million for IRES for which a refund was requested due to IRAP deductibility in the years 2007 - 2011 (Italian Leg. Decree 201/2011 Art.2).
These receivables are due from the parent company Finpanaria as a result of inclusion in the tax group that also includes the related company Immobiliare Gemma.

The amounts due from tax authorities do not include any items of dubious collectability.

1.d. Other current assets

This caption is made up as follows:

	31-Dec-15	31-Dec-14
Advances to social security institutions	98	109
Advances to suppliers	639	588
Rebates from suppliers and credit notes to be received	775	763
Receivables due from employees and third parties	210	231
IRB – Current portion	777	698
Earthquake grants receivable	310	485
Other grants to be received	232	124
Receivables for Energy Efficiency Certificates	414	307
Receivables due from energy income	1,211	649
Financial derivatives – positive fair value	167	0
Other	380	24
Total other current receivables	**5,213**	**3,978**
Total current accrued income and prepaid expenses	**1,308**	**790**
	6,521	**4,768**

The item “IRB – Current portion” relates to the principal element of the 20-year Industrial Revenue Bond that matures within 12 months, as explained in more detail in the section on financial assets.

The row “Earthquake grants receivable” refers to the claims presented 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 2015.

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

The increase in "Receivables due from energy income" is due to the delay in paying the contribution to the energy companies for 2014 that has still not been collected as at the date of the financial statements.

The item “Other” includes Euro 141 thousand relating to recoverable VAT part of write-down of receivables, Euro 56 thousand for insurance refund to be received and Euro 75 thousand for excise duties on fuel refunds requested.

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-Dec-15	31-Dec-14
Bank and post office deposits	7,454	2,762
Cash and equivalents on hand and cheques	46	170
	7,500	**2,932**

The financial trend in 2015 compared with the one in 2014 is disclosed in the Consolidated Cash Flow Statement reported previously.

NON-CURRENT ASSETS

2.a. Goodwill

"Goodwill", equal to Euro 8,139 thousand relates to goodwill recognised on the acquisition of Gres Panaria Portugal and Montanari Ceramiche S.r.l., net of impairment.

In particular, with respect to Gres Panaria Portugal, the value of goodwill at 31 December 2015 is Euro 7,789 thousand and relates to:

- Euro 4,235 thousand of surplus paid for the acquisition of Maronagres Comercio e Industria Ceramica S.A., net of the amortisation charged prior to the IFRS transition date;
- Euro 7,854 thousand of surplus paid for the acquisition of Novagres Industria de Ceramica S.A. over the Group's portion of its equity, adjusted to take account of the fair value of this company's assets and liabilities on the acquisition date.

The above amounts are stated net of impairment recorded in 2012 of Euro 4,300 thousand based on the outcome of impairment testing performed at the year end with reference to the Cash Generating Unit consisting of the Portuguese company resulting from the merger of Maronagres Comercio e Industria Ceramica S.A. and Novagres Industria de Ceramica S.A. Even though the Portuguese investee company has resumed generating profits, the value has not been restored in accordance with *"IAS 36 – Recoverable amount of the assets"* which states that "*a loss due to permanent reduction of value recognised for goodwill must not be eliminated in a subsequent year".*

As regards the goodwill relating to Maronagres, it derives from an acquisition that was carried out prior to the IFRS transition date. Its book value is therefore the amount resulting from the application of Italian GAAP as of that date (so-called "deemed cost").

The acquisitions of Novagres and Montanari, on the other hand, have been accounted for in accordance with IFRS 3.

These two Portuguese companies, purchased in 2002 and 2005 respectively, were merged at the end of 2006 to form a single entity called Gres Panaria Portugal S.A.

The value of goodwill relating to Montanari Ceramiche S.r.l. at 31 December 2015 is Euro 350 thousand. This amount was generated as follows:

- Euro 900 thousand relates to the excess price paid for the acquisition of Montanari Ceramiche S.r.l. over the Group's portion of its equity, adjusted to take account of the fair value of this company's assets and liabilities on the acquisition date;
- The above amount was then reduced by write-down for impairment totalling Euro 550 thousand, of which Euro 200 thousand was recorded in 2009 and Euro 350 thousand in 2012, as a result of impairment testing.

The acquisition of Florida Tile did not involve booking any goodwill.

Impairment Testing

As stated earlier in the section on Accounting Principles, at least once a year, and any time there are indicators of impairment, the Group performs impairment tests as required by IAS 36 in order to verify the recoverability of the goodwill recorded in the consolidated financial statements. In the presence of indicators of potential critical issues, the recoverability check is extended to the entire residual value of the property, plant and equipment and intangible assets recorded in the consolidated financial statements.

As part of the 2015 financial statement closure process, impairment tests were performed as required by IAS 36, in particular, the Company identified the Cash Generating Units ("CGU") that represent the smallest identifiable grouping capable of independently generating cash flows; these CGUs correspond to the business units that make up the Group.

The CGUs are consistent with the units identified for the previous financial year; furthermore, it should be noted that the business units correspond to individual companies, as shown by the table.

The Company tested the recoverability of the value of net capital employed recorded in the Group's consolidated financial statements and attributed to each CGU, to which were added allocations made at consolidation level.
With respect to testing for the Panariagroup S.p.A. CGU, net capital employed was considered net of the carrying value of the equity investments.

The impairment test was performed assuming the value in use of each of these to be their recoverable value, in consideration of the fact that it is not possible to reliably establish their fair value net of selling costs. Value in use was determined as the present value of estimated future cash flow to be generated from the continuing use of the assets pertaining to the CGU, being the sum of cash flow expected during the period of the plan and the terminal value attributable thereto (enterprise value).

For the purposes of the verification of the recoverability of the amounts recorded, the enterprise value was compared against the value of net capital employed recorded in the Group's consolidated financial statements (sum of the book value of equity and net

financial indebtedness), added with allocations made at consolidation level. The amounts, by individual CGU, subjected to testing for recoverability are as follows (in thousands of Euro):

	Net capital employed	*Goodwill - Allocation of consolidated financial statements*	*Equity investments*	**Total**
Panariagroup S.p.A.	203,538	-	(89,862)	113,676
Gres Panaria Portugal	44,160	13,899	-	58,059
Panariagroup USA and subsidiaries	69,716	(64)	-	69,652
Montanari Ceramiche S.r.l.	779	349	-	1,128

The value in use of the CGUs was determined by applying the UDCF ("*Unlevered Discounted Cash Flow*") model, which considered the cash flows included in the 2016-2020 Business Plan approved by the Board of Directors of the Parent Company on 18 March 2016. The impairment method was approved by the Board of Directors on 13 November 2015. A terminal value was calculated at the end of the explicit forecast period, represented by a perpetuity. For the determination of the perpetuity, use was made of operating income net of taxation (Net operating profit Less Adjusted Tax - NOPLAT) of the last year of the business plan as management estimates this to be a long term "normalised" flow.
The growth rate used for the determination of the terminal value was prudently taken to be zero, in line with the assumption made for the tests performed in prior years.
The discount rate, or WACC, used to discount expected cash flows from all the CGUs subjected to testing was 6.56% (7.84% in 2014). 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 Group 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 management considered some conservative growth assumptions in line with trends defined by the most recent studies of the outlook published by "Confindustria Ceramica" and "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.

No impairment losses arose from the test performed.

Set out below are comments on the results of the testing for each CGU.

Panariagroup Industrie Ceramiche S.p.A.

Based on the above parameters, the enterprise value of Panaria S.p.A. is some Euro 181.4 million, against the company's net capital employed as per the consolidated financial statements, net of the carrying value of equity investments, of Euro 113.7 million.

Gres Panaria Portugal S.A.

Based on the above parameters, the enterprise value of Gres Panaria Portugal is Euro 118.6 million, against the company's net capital employed as per the consolidated financial statements, inclusive of the allocation of consolidation differences, of Euro 58.1 million.

Panariagroup USA and subsidiaries

On the basis of the above parameters, the enterprise value of Panariagroup USA is USD 237.7 million, against the company's net capital employed as per the consolidated financial statements of USD 75.8 million.

Montanari Ceramiche S.r.l.

On the basis of the above parameters, the enterprise value of Montanari Ceramiche S.r.l. was around Euro 1.7 million, compared to the company's net capital employed of Euro 1.1 million.

Impairment - Sensitivity Analysis

The results of the *Sensitivity Analysis* made to assess the degree of "strength" of the test are provided below; in particular, the hypothetical values of WACC and EBITDA that would take the test to the break-even point were checked (with higher WACC = impairment, with lower EBITDA = impairment).

The results are shown in the following table:

	WACC	***Change in EBITDA compared to the Plan***
Panaria S.p.A.	*10%*	*-23%*
Gres Panaria	*13%*	*-40%*
Panariagroup USA	*23%*	*-62%*
Montanari	*10%*	*-30%*

As the table above shows, there is a considerable margin between the assumptions of the plan and the impairment limit.

It is worth pointing out that assessing the recoverable value of the cash generating units requires management to use its judgement in making estimates, which means that the Company cannot guarantee that the assets booked in the consolidated financial

statements will not be impaired in the future. The circumstances and events that might result in further impairment will be monitored constantly by the Company.

Please note that the market capitalisation based on stock market prices at the date of the financial statements is basically in line with the consolidated net equity at 31 December 2015.

2.b. Intangible assets

"Intangible assets" at 31 December 2015 amount to Euro 5,593 thousand, higher than the figure of Euro 3,391 thousand reported at 31 December 2014.

Changes during the year can be summarised as follows:

	2015	2014
Beginning Balance	**2,202**	**2,149**
Additions	3,730	697
Reclassifications from tang. assets	114	0
Retirements	-	-
Amortisation charge	(600)	(799)
Exchange differences for foreign subsidiaries	147	155
Ending Balance	**5,593**	**2,202**

The increases of the financial year mostly refer to software acquisitions and development tied to the start-up of the IT system integration project on Group level, on a single platform (SAP), not yet up and running and therefore pending amongst the construction in progress.

The changes during the period are reported in an attachment.

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2.c. Property, plant and equipment

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

	31-Dec-15	31-Dec-14
Land and buildings	24,855	25,158
Plant and machinery	54,254	49,282
Equipment and other assets	15,289	14,531
Construction in progress	14,717	880
	109,115	**89,851**

Changes during the year can be summarised as follows:

	2015	2014
Beginning Balance	**89,851**	**90,358**
Additions	34,510	13,235
Retirements	(597)	(90)
Amortisation charge	(16,853)	(15,915)
Reclassifications to intang. assets	(114)	-
Exchange differences for foreign subsidiaries	2,318	2,263
Ending Balance	**109,115**	**89,851**

The changes during the period are reported in an attachment.

Expenditure on property, plant and equipment during the period came to around Euro 34.5 million and refers, for roughly Euro 15.8 million to investments in the Italian Business Unit, for Euro 6.9 million to investments in the Portuguese Business Unit and for roughly Euro 11.7 million to investments in the US Business Unit.

The most significant investments of the financial year have already been previously described in the Directors' Report.

"Land and buildings" are represented mainly by the buildings shown in the financial statements of the Portuguese subsidiary Gres Panaria Portugal S.A.

Following the property spin-off in 2004, the buildings in which Panariagroup Industrie Ceramiche S.p.A. conducts its business are rented, being owned by Immobiliare Gemma S.r.l. (a related party).

The subsidiary Florida Tile Inc. has been operating at the Lawrenceburg (Kentucky) plant, which it used under an operating lease that expires in 2030 (with more than one renewal options up to 2050); the annual rent is USD 1,670 thousand, without any purchase option at the end of the contract.

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2.d. Financial assets

This caption comprises:

	31-Dec-15	31-Dec-14
Industrial Revenue Bond	9,330	9,064
Investment in Indian JV	180	352
Other	9	5
	9,519	**9,421**

The item "Industrial Revenue Bond" relates to a 20-year bond (IRB) issued by the County of Anderson, Kentucky ("County").

This forms part of a wider package of tax incentives granted by the County in relation to the major investment in the Lawrenceburg factory, operated by the subsidiary Florida Tile Inc. (defined by contract as the "Porcelain Project").

In particular, the purpose of the IRB is to save property tax on the newly-acquired plant, as part of a transaction involving two distinct and exactly matching operations:

- the subscription by Panariagroup USA to a twenty-year bond, issued by the County at an interest rate linked to LIBOR;
- the purchase of ownership of the "Porcelain Project" by the County and grant of a twenty-year finance lease at the same rate as the Bond to Florida Tile Inc, with a redemption value of USD 1 at the end.

The repayment plans and conditions of the two transactions (Bond and Finance Lease) are identical and the related cash transfers (lease payments by Florida Tile Inc. to the County and reimbursement of Bond by the County to Panariagroup USA) will be made directly between the subsidiaries Florida Tile Inc. and Panariagroup USA without going through the County.

The entire transaction has a neutral cash-flow impact on the consolidated financial statements, since the financial asset represented by the Bond exactly matches the financial liability represented by the Finance Lease; however, the consolidated financial statements do benefit in terms of income since this transaction means that there is no property tax payable on the "Porcelain Project".

The "Porcelain Project's" formal transfer of ownership to the County does not involve any restriction on the use, modification, management or retirement of the plant acquired.

The increase in value of the Industrial Revenue Bond compared to 31 December 2015 is due to an exchange gain of Euro 964 thousand arising from translation at the year-end exchange rate, net of the repayment of the annual instalment of Euro 696 thousand USD 846 thousand)

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2.e Deferred tax assets

Deferred tax assets are composed as follows:

	31-Dec-15	31-Dec-14
Deferred tax assets:		
- taxed provisions	4,605	4,827
- tax loss carryforwards	10,399	12,643
- for public grant	1,194	1,010
- for ACE not deducted	216	232
- for Section 263 A Ending	648	630
- for deferred rent payable	240	212
- for AMT Credit carryover	265	223
- other	984	549
Deferred tax assets	**18,551**	**20,326**

Deferred tax assets for "tax loss carryforwards" refer to tax losses related to the subsidiary Florida Tile Inc. (Euro 3.5 million) and Panariagroup Industrie Ceramiche (Euro 6.9 million).

With respect to these deferred tax assets, the business plans prepared and approved by Group management show future results that will allow their recovery. The recoverability of the deferred tax assets is thus subject to the ability of the aforementioned companies to produce, in the medium term, positive results in line with forecasts included in the business plans approved by the Group's directors on 18 March 2016.

As from the 2008 tax return (for 2007 income), the Parent Company Panariagroup Industrie Ceramiche S.p.A. 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 Ceramiche 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.

2.f. Other non-current assets

This caption comprises:

	31-Dec-15	31-Dec-14
Guarantee deposits for utilities	172	174
Loans due from third parties	365	380
Other	265	510
Total other non-current receivables	**802**	**1,064**
Total non current accrued expenses and deferred income	**-**	**-**
	802	**1,064**

The item "Loans due from third parties" includes a loan of Euro 345 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".
They were partially collected for a total of Euro 177 thousand in January 2016.

"Other receivables" includes Euro 139 thousand for deposits on leases of the stores of the subsidiary Florida Tile (Euro 271 at 31 December 2014).

5) COMMENTS ON THE MAIN LIABILITY AND EQUITY CAPTIONS

3. CURRENT LIABILITIES

3.a. Due to banks and other sources of finance

Short-term financial payables are made up as follows:

	31-Dec-15	31-Dec-14
Current account overdrafts	8,980	4,332
Export advances	5,250	8,408
Long-term loans	21,885	27,056
Leases	1,035	928
	37,150	**40,724**

The changes in financial position during 2015, compared with 2014, are shown in the consolidated cash flow statement contained in the section of the consolidated financial statements.

The Group's total borrowing facilities granted by banks at 31 December 2015 amounted to Euro 114.7 million, of which Euro 14.2 million had been drawn down at that date.

"Medium/Long-term loans" include the current portion of unsecured loans obtained by the Parent Company between 2006 and 2015 for Euro 20,095 thousand and for Euro 1,531 thousand at the current portion of the USA business unit. These loans are discussed in more detail in the section entitled "Due to banks and other sources of finance" under non-current liabilities.

"Leases" mainly relates to the current portion of the lease connected with the IRB operation for Euro 778 thousand, and to financial leasing for capital equipment for Euro 257.

Like in previous years, the Group has not carried out any factoring or securitisation transactions in 2015.

3.b. Trade payables

The trend in trade payables is as follows:

	31-Dec-15	31-Dec-14
Trade payables	76,037	58,633

Trade payables refer to amounts due to suppliers for the purchase of goods and services used in the Group's normal business activities. An increase was recorded over the same period in the previous year, due jointly to the increase in production recorded in 2015 and to the growth in investments.

3.c. Due to tax authorities

This caption comprises:

	31-Dec-15	31-Dec-14
Withholding tax	2,729	2,372
Income taxes	147	662
Other	124	164
	3,000	**3,198**

3.d. Other current liabilities

At 31 December 2015, this caption comprises:

	31-Dec-15	31-Dec-14
Due to social security institutions	3,661	2,938
Due to employees	6,549	6,865
Due to customers	3,340	4,175
Due to agents	6,685	6,632
Financial derivatives – negative fair value	57	106
Due for EUA shares to purchase	781	0
Other	761	733
Total current payables	**21,834**	**21,449**
Deferred income from capital grants	223	95
Accrued interest expense	70	101

Deferred income from earthquake insurance payouts	135	135
Other	167	142
Total current accrued expenses and deferred income	**595**	**473**
	22,429	**21,922**

"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. Euro 135 thousand, recorded under "current liabilities", are related to the amount charged to income statement within 12 months.

The item "Due for EUA shares to purchase" refers to the value of the greenhouse gas emission shares to purchase in 2016 to meet the CO2 emissions of the Parent Company and of Gres Panaria Portugal recorded in 2015.

4. NON-CURRENT LIABILITIES

4.a. Employee severance indemnities

The liability for employee severance indemnities is as follows:

	31-Dec-15	31-Dec-14
Employee severance indemnities	**5,837**	**6,575**

The principal technical bases used in this calculation are as follows:

Demographic assumptions

Retirement: 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 %

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Financial assumptions

The following *discount rates* have been used:
31-Dec-15: IBoxx Eurozone Corporate AA discount rate = 2.03 %
31-Dec-14: IBoxx Eurozone Corporate AA discount rate = 1.49 %

The inflation rates taken into consideration are as follows:

Age group	2015	2014
2015	-	0.60%
2016	1.50%	1.20%
2017	1.80%	1.50%
2018	1.70%	1.50%
2019	1.60%	2.00%
2020 and beyond	2.00%	2.00%

The changes in this provision during the year were as follows:

Balance at 31-Dec-14	**6,575**
Charge to the income statement	100
Charge to "Other Comprehensive Income"	(340)
Portion paid out during the year	(498)
Employee severance indemnities at 31-Dec-15	**5,837**

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 measurement of liabilities and assets under "Total other gains (losses)".

4.b. Deferred tax liabilities

Details of deferred tax liabilities are provided below:

	31-Dec-15	31-Dec-14
Deferred tax liabilities:		
- revaluation of acquired company buildings to fair value	2,000	2,681
- valuation of severance indemnities according to IFRS	(51)	(145)
- valuation of agents' termination indemnities according to IFRS	164	297
- valuation of inventories	712	938
- lease-back	192	212
- exchange differences on valuation	455	411
- accelerated amortisation/depreciation	4,296	1,754
- other	84	67
Deferred tax liabilities	**7,852**	**6,215**

Deferred taxes provided against the "revaluation of acquired company buildings to fair value" (Euro 2,584 thousand) refer to the recognition of acquired company assets at fair value in the consolidated financial statements, net of accumulated depreciation on the acquisition date.

Deferred tax for accelerated amortisation/depreciation refers to the temporary difference between book value and fiscal value of the depreciation in the subsidiary Florida Tile.

The significant increase in this item compared to the previous year, is related to re-submission of tax returns for previous years that have been reported more accelerated depreciation compared to the original statements.

4.c. Provisions for risks and charges

Provisions for risks and charges are made up of:

	31-Dec-15	31-Dec-14
Provision for agents' termination indemnities	3,207	3,043
Provision for tax risks	485	485
Other provisions	641	702
	4,333	**4,230**

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 2014	2.84%
31 December 2015	1.66%

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.

"Provisions for tax risks" include allocations on contingent tax liabilities; the balance at 31 December 2015 refers entirely to the risk connected with a dispute with the Portuguese tax office and reflects the best estimate of expenses to be incurred on the basis of the analysis of irregularities received and the likelihood of the defensive arguments made by the Directors, with the help of the Group's tax consultants, being upheld.

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 Parent Company's tax years from 2011 onwards are still open for assessment. Management, with support from the Group's tax advisors, believes that the settlement of these open years will not give rise to significant liabilities not already recorded in the consolidated financial statements at 31 December 2015.

On 10 December 2015 the Parent Company received a recovery statement from Inland Revenue concerning the tax audit previously made in 2012 and partly settled in 2013 regarding the charges of using "Tax credit not due" for which an appeal was lodged in February 2016. At present, the risk has been categorised as "possible" by Company consultants, so no provision was recognised in the financial statements, in compliance with the accounting principles.

4.d. Due to banks and other sources of finance

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

	31-Dec-15	31-Dec-14
Long-term loans	53,467	42,301
Leases	9,982	9,860
	63,449	**52,160**

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

There are the following guarantees in respect of these loans in the bank's favour.

- Mortgage Security for Euro 22,500 thousand issued by the affiliated company Immobiliare Gemma S.p.a.;
- Guarantee for Euro 8,750 thousand issued by the parent company Finpanaria S.p.a.

As pointed out in the related parties section, the Company pays a consideration for these guarantees received.

The "IRB finance lease" mainly relates to the Industrial Revenue Bond operation, detailed in note "2.d Financial assets", and associated with the package of tax incentives obtained for the major investment in the Lawrenceburg factory of Florida Tile Inc. As mentioned previously in connection with the Bond, the decrease in its amount reflects the repayment of principal during 2015 and the exchange-rate effect deriving from the translation to Euro of the original amounts (denominated in dollars) using the closing rate of exchange.

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

	Long-term loans	Leases	IRB	Total
12 months	**21,885**	**1,035**	**(778)**	**22,142**
2017	23,286	1,035	(778)	23,543
2018	15,946	1,035	(778)	16,203
2019	3,879	916	(778)	4,017
2020	1,996	778	(778)	1,996
2021	1,692	778	(778)	1,692
2022	1,667	778	(778)	1,667
2023	1,667	778	(778)	1,667
2024	1,667	778	(778)	1,667
2025	1,667	778	(778)	1,667
Beyond 10 years	-	2,328	(2,328)	-
Medium / Long-term	**53,467**	**9,982**	**(9,330)**	**54,119**
Financial payables	**75,352**	**11,017**	**(10,108)**	**76,261**

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

4.e. Other non-current liabilities

At 31 December 2015, this caption comprises:

	31-Dec-15	31-Dec-14
Due to suppliers beyond 12 months	5,077	184
Due to tax authorities beyond 12 months	0	139
Accrued rent - Lawrenceburg	643	567
Deferred income on grants for earthquake	2,151	1,602
Other	97	155
	7,968	**2,647**

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 agreed for beyond 12 months; the increase is due to the considerable investments made during the financial year.

"Due to tax authorities beyond 12 months" referred to the division into instalments of taxes due following the tax inspection of Panariagroup Industrie Ceramiche S.p.A. performed in 2012.

"Accrued rent – Lawrenceburg" is the difference between the rent payments effectively made and the higher rent instalments due as calculated according to IAS. In fact, the

contract provides for rent payments that increase every five years, whereas IAS 17 assumes that they are booked on a straight-line basis.

"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.

"Other" includes commitments taken by Florida Tile Inc. to carry out environmental monitoring at its own expense for the next 25 years; these have been treated to all effects as liabilities acquired as part of the acquisition.

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5. EQUITY

Equity consists of:

	31-Dec-15	31-Dec-14
Share capital	22,678	22,678
Share premium reserve	60,783	60,783
Revaluation reserves	4,493	4,493
Legal reserve	3,958	3,958
Translation reserve	8,589	2,545
Other reserves and retained earnings	52,890	54,503
Profit (Loss) for the year	5,865	(1,841)
	159,256	**147,119**

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

To date, no stock option plans have been granted.

The main items making up equity and the associated changes are discussed below.

Share capital

The share capital, subscribed and paid in consists of 45,355,291 shares of par value of Euro 0.50 each and refers to the Parent Company Panariagroup Industrie Ceramiche S.p.A.

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 Panaria Industrie Ceramiche S.p.A.;
- Euro 53,113 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 sustained no changes compared to the previous year since there were no profits regarding 2014 to allocate.

Translation reserve

This reserve contains the exchange differences that arose on translation into euro of the financial statements of Florida Tile Inc., Panariagroup USA Inc. and Lea North America LLC, originally expressed in US dollars.

Other reserves and retained earnings

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

	31-Dec-15	**31-Dec-14**
Extraordinary reserve	50,435	50,435
Payments on capital account	1,077	1,077
Treasury shares in portfolio	(1,614)	(1,614)
Retained earnings/losses and other reserves	2,992	4,605
	52,890	**54,503**

The *Extraordinary reserve* remained unchanged compared to 2014.

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

Treasury shares

At 31 December 2015, 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 the previous year.

As stated in the section on Accounting Principles, these have been treated as a deduction from equity.

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.

"Retained earnings (accumulated losses) and other reserves" of Euro 2,992 thousand refer principally to profits made by subsidiaries after the preparation of the first set of consolidated financial statements and not distributed, and to the allocation of the loss of the previous year carried forward.
No deferred taxes have been provided on these reserves, as no transactions that would give rise to their distribution and consequent taxation are currently envisaged.

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TRANSACTIONS INVOLVING FINANCIAL DERIVATIVES

The following financial derivative contracts taken out with leading banks were outstanding as of 31 December 2015:

- "Interest rate swap" with a notional underlying principal of Euro 750 thousand to hedge interest rates on outstanding loans obtained during 2012 with expiry 30/09/2016.
- "Interest rate swap" with a notional underlying principal of Euro 3,750 thousand to hedge interest rates on outstanding loans obtained during 2012 with expiry 31/08/2017.
- "Interest rate swap" with a notional underlying principal of Euro 10,000 thousand to hedge interest rates on portion of the total existing and outstanding loan obtained during 2015 with expiry 31/12/2019.
- "Interest rate swap" with a notional underlying principal of Euro 20,000 thousand to hedge interest rates on portion of the total existing and outstanding loan obtained during 2015 with expiry 31/12/2020.
- Forward sale and purchase of foreign currency (USD) for a total of Euro 8,000 with staggered maturities starting from 29/01/2016 to 30/12/2016.

These contracts are shown at fair value under the items:

- "Other current assets" for a total amount of Euro 167 regarding the positive mark to market of the transactions indicated above and signed during 2015 at the end of the year;
- "Other current liabilities" for a total amount of Euro 57 thousand regarding the mark to market of the transactions signed during 2012 at the end of the year.

Adjusting these instruments to fair value at 31 December 2015 involved booking income of Euro 217 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

As at 31 December 2015 USD 1.2 million in guarantees were given to a Kentucky governmental authority for the conduct of production activities at the Lawrenceburg, KY site of the company Florida Tile.

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

The loan contracts do not contain any covenants.

6) COMMENTS ON THE MAIN INCOME STATEMENT CAPTIONS

6. REVENUES

6.a. Revenues from sales

The Group's sales revenues are broken down by geographical area as follows:

	31-Dec-15	*31-Dec-14*
Italy	67,793	65,243
Abroad	278,557	228,957
(Customer rebates)	(3,440)	(3,521)
	342,910	**290,679**

Revenues from sales increased by 17.97%, from Euro 290,679 thousand at 31 December 2014 to Euro 342,910 thousand at 31 December 2015 (+52.2 million).

More details can be found in the directors' report.

6.b. Other revenues

"Other revenues" are made up as follows:

	31-Dec-15	31-Dec-14	Change
Expense recoveries (displays, transport)	4,793	3,446	1,347
Gains on the sale of property	247	111	136
Out-of-period income	619	557	62
Compensation for damages	237	447	-210
Grants	674	929	-255
Energy income	2,475	3,776	-1,301
Capitalisation of own work	1,150	7	1,143
Other	942	1,177	-235
	11,137	**10,450**	**687**
% of Value of production	***3.1%***	***3.5%***	**-0.4%**

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

The item "Capitalisation of own work", in 2015 recorded at Euro 1,150 thousand, refers to the personnel employed for the implementation of the new SAP management platform in progress for Euro 1,062 thousand, and to the costs of internal personnel used in building the new gres laminate production and processing lines at the Italian business unit for the remainder.

"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).

7. COST OF PRODUCTION

7.a. Raw materials

"Raw materials" are made up as follows:

	31-Dec-15	% of V.o.P.	31-Dec-14	% of V.o.P.
Raw materials	45,116	12.6%	36,795	12.3%
Finished products	45,465	12.7%	32,255	10.8%
Packaging	11,626	3.2%	9,674	3.2%
Price lists/Catalogues	1,178	0.3%	971	0.3%
Remaining change	(182)	(0.0)%	(68)	0.0%
Other	367	0.1%	421	0.1%
	103,570	**28.9%**	**80,048**	**26.8%**

The increase in this caption substantially related to the increase in 2015 production compared to the previous year, already described in the Directors' Report.
The item "Finished products" increased due to the increase in purchases of ceramic material from third parties.

7.b. Services, leases and rentals

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

	31-Dec-15	% of V.o.P.	31-Dec-14	% of V.o.P.
Property rental	9,976	2.8%	9,068	3.0%
Rent of other fixed assets	2,217	0.6%	2,026	0.7%
Commissions	13,722	3.8%	13,130	4.4%
Utilities	33,978	9.5%	31,052	10.4%
Commercial expenses and advertising	8,260	2.3%	7,550	2.5%
Sub-contract work	11,874	3.3%	8,807	3.0%
Maintenance	10,196	2.8%	8,410	2.8%
Transportation	24,780	6.9%	19,708	6.6%
Industrial services	6,866	1.9%	5,853	2.0%
Directors' and statutory auditors' fees	860	0.2%	941	0.3%
Consulting fees	4,176	1.2%	3,224	1.1%
Insurance	1,000	0.3%	1,238	0.4%
Other	8,643	2.4%	7,231	2.4%
	136,548	**38.0%**	**118,238**	**39.6%**

"Property rental" mainly includes:

- rents of Euro 5,449 thousand that Panariagroup Industrie Ceramiche S.p.A. 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 covers a contractual period of eight years (with tacit renewal on the first expiry for another eight years), for an annual rent initially set at Euro 4,500 thousand, revalued each year according to ISTAT statistics. The economic value of the rent is based on a specific appraisal prepared by an independent expert, which supports the alignment to market values.

- The rents that Florida Tile Inc. pays for the land and building of its plant in Lawrenceburg, its head office and the premises used as branches for the retail sale of finished products amount in total to Euro 4,286 thousand.

7.c. Personnel costs

Personnel costs passed from Euro 75,636 thousand in the year ended 31 December 2014 (25.4% of value of production) to Euro 84,294 thousand in the year ended 31 December 2015 (23.5% of value of production).

Personnel costs can be broken down as follows:

	31-Dec-15	31-Dec-14
Wages and salaries	63,538	57,269
Social security contributions	18,053	15,562
Severance indemnities and other funds	2,298	2,237
Other personnel costs	800	568
	84,689	**75,636**

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

	31-Dec-15	31-Dec-14
Managers	39	36
Supervisors and white collar workers	646	634
Foremen and blue collar workers	905	889
	1,590	**1,558**

The increased cost is more than proportionate to the increase in "people employed" due to the higher number of hours that the existing employees worked, mainly attributable to the greater use of the production facilities as compared to 2014.

7.d. Other operating expenses

"Other operating expenses" are made up as follows:

	31-Dec-15	% of V.o.P.	31-Dec-14	% of V.o.P.
Out-of-period expenses	218	0.1%	191	0.1%
Gifts	47	0.0%	48	0.0%
Trade association fees	100	0.0%	98	0.0%
Losses on disposals	231	0.1%	175	0.1%
Indirect taxes	1,213	0.3%	1,201	0.4%
Office equipment	494	0.1%	484	0.2%
Other	1,341	0.4%	1,090	0.4%
	3,644	**1.0%**	**3,287**	**1.1%**

8. DEPRECIATION, AMORTISATION AND PROVISIONS

8.a. Depreciation and amortisation

Amortisation/depreciation rose compared to 2014, up from Euro 16,727 thousand as at 31 December 2014 to Euro 17,453 thousand as at 31 December 2015. It should be noted that no changes were made to either the rates or the original repayment plans.

8.b. Provisions and impairments

The caption "Provisions and impairments", amounting to Euro 2,247 thousand, includes the write-downs of receivables for Euro 1,417 thousand, allocations to the provision for slow-moving and obsolete goods for Euro 508 thousand, and allocations for agents' termination indemnities of Euro 322 thousand.

PANARIAgroup INDUSTRIE CERAMICHE S.P.A.

9. FINANCIAL INCOME (EXPENSE)

9.a. Financial income (expense)

	31-Dec-15	31-Dec-14
Interest on short-term loans	(172)	(242)
Interest expense on medium/long-term loans	(973)	(1,294)
Financial expense on severance indemnity liability	(93)	(184)
Fair value losses on derivatives	-	-
Discounts granted for early payments	(604)	(543)
Other	(819)	(723)
Total financial expense	**(2,661)**	**(2,986)**
Bank interest income	2	31
Interest on receivables	32	49
Fair value gains on derivatives	216	12
Total financial income	**250**	**92**
TOTAL FINANCIAL INCOME AND EXPENSE	**(2,411)**	**(2,894)**
% of Value of production	*-0.7%*	*-1.0%*
Exchange losses	(3,051)	(2,358)
Exchange gains	4,120	3,296
TOTAL EXCHANGE GAINS AND LOSSES	**1,069**	**938**
% of Value of production	*+0.3%*	*+0.3%*
Financial losses on discounting	(340)	(423)
Financial gains on discounting	-	-
DISCOUNTING GAINS (LOSSES)	**(340)**	**(423)**
% of Value of production	*-0.1%*	*-0.1%*
Impairment losses on equity investments in Joint Ventures	(164)	(139)
TOTAL GAINS AND LOSSES ON EQUITY INVESTMENTS	**(164)**	**(139)**
% of Value of production	*-0.0%*	*-0.1%*
Total financial income (expense)	**(1,846)**	**(2,519)**
% of Value of production	**-0.5%**	**-0.8%**

"Other" of Euro 819 thousand mainly refers to costs for banking services and commissions.

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Financial income and expense - Sensitivity analysis

As previously stated in the section on "Financial risks", the Group 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 2015 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	+2.9
1.10	+0.2
1.20	-2.1
1.30	-4.0
1.40	-5.7

* Hypothesis of a constant interest rate over the entire period

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

10. INCOME TAXES

10.a Income taxes

Income taxes for the financial year were Euro 3,386 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 - ITALIAN TAXATION

A	Pre- Tax profit	(2,659)		
B	Personnel costs	47,062		
C	Net finance costs	(942)		
D	IRAP deductions for tax w edge	45,882		
			Theoretical tax	Theoretical "Tax Rate"
A	Theoretical taxable income for IRES purpose	(2,659)	(731)	27.50%
A+B+C+D	Theoretical taxable income for IRAP purpose	(2,421)	(94)	3.90%
CF1	Theoretical Tax Charge - ITALIAN TAXATION		(826)	31.05%

THEORETICAL TAX RATE - PORTUGUESE TAXATION

			Theoretical tax	Theoretical "Tax Rate"
A	Theoretical taxable income for IRC purpose	3,393	713	21.00%
CF2	Theoretical Tax Charge - PORTUGUESE TAXATION		713	21.00%

THEORETICAL TAX RATE - US TAXATION

			Theoretical tax	Theoretical "Tax Rate"
A	Theoretical taxable income for Federal + State Taxes purposes	10,751	4,193	39.00%
CF3	Theoretical Tax Charge - US TAXATION		4,193	39.00%

THEORETICAL TAX RATE - TOTAL

CF1 + CF2 + CF3	Theoretical Tax Charge - TOTAL	4,080	44.10%
	No taxation of earthquake grants	(113)	-1.22%
	Tax effect on consolidation entry	(1,280)	-13.84%
	Italian's allow ance for corporate equity (ACE)	(146)	-1.58%
	IRES Non-deductible costs	383	4.14%
	IRAP Non-deductible costs	125	1.35%
	Deferred tax adjustment due to change in tax rate	1,014	10.96%
	Benefit from fiscal consolidation	(127)	-1.37%
	US State Tax rates adjustment	(484)	-5.23%
	Difference	(66)	-0.71%
	ACTUAL tax charge	3,386	36.60%

"USA state tax rates adjustment", which totalled Euro 484 thousand, refers to alignment with the current rates for each state in calculating deferred tax assets in the tax group concerning Panariagroup USA.

On the date these financial statements were drafted, the change in the IRES rate, from 27.5% to 24%, had also been resolved starting from the year that will end on 31 December 2017. Therefore, the Parent Company adjusted its deferred taxes recorded in the financial statements less the estimates of recovering them in financial year 2016, with a negative effect amounting to about Euro 1 million.

IAS 12 in fact establishes that: "*The deferred tax assets and liabilities must be assessed with the tax rates expected to be applicable in the year when the tax asset will be realised or when the tax liability will be extinguished, on the basis of the tax rates (and tax legislation) established by provisions in effect or basically in effect on the date of reference of the financial statements".*

BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

As required by IAS 33, the basic earning per share of Euro 0.129 (loss of Euro 0.041 per share at 31 December 2014) is disclosed at the foot of the income statement.

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 worthy of note 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.

POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

No events/transactions were recorded during the year that fall under the scope of CONSOB Communication DEM/6064293 of 28 July 2006. As specified in this Communication "atypical and/or unusual transactions mean 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".

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

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	36	26	**62**
Total revenues	**36**	**26**	**62**

Revenues for services refer to consulting provided by the Ultimate Parent Company to Finpanaria S.p.A. and Immobiliare Gemma for administrative and organisational services.

COSTS	Finpanaria	Imm. Gemma	Total
Rental expense	-	5,449	**5,449**
Commission for guarantees given	24	3	**27**
Total costs	**24**	**5,449**	**5,476**

Rental expense refers to the rents paid for all of the buildings used for Panariagroup Industrie Ceramiche S.p.A. production and logistics activities.
Commissions are a consideration for the guarantees received, which are described in the "due to banks over the medium/long-term".

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	0.02%	0.67%	0.18%
Costs	1.53%	52.19%	15.49%

* before changes in working capital

BALANCE SHEET

(in thousands of euro)

	Finpanaria	Imm. Gemma	Total
Receivables	39	32	71
Payables	-	-	-
Due from (to) tax authorities	1,792	-	1,792
Net receivable (payable)	**1,831**	**32**	**1,863**

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.

ATTACHMENTS

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

- Statement of changes in intangible assets and goodwill from 1 January 2014 to 31 December 2015
- Statement of changes in property, plant and equipment from 1 January 2014 to 31 December 2015
- Statement of changes in financial position
- Directors and Officers
- Disclosure required by article 149-duodecies of the CONSOB Issuer Regulations
- Certification of the consolidated financial statements in accordance with art. 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

Sassuolo, 18 March 2016

The Chairman of the Board of Directors

EMILIO MUSSINI

EXPLANATORY NOTES - ATTACHMENT 1

- Statement of changes in intangible assets and goodwill from 1 January 2014 to 31 December 2015

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

Panariagroup - Consolodated financial statements

Statement of changes in intangible assets and goodwill
from 1 January 2014 to 31 December 2015
(in thousands of Euro)

	Concessions, licenses, trademarks	Intangible assets in progress	Other intangible assets	TOTAL INTANGIBLE ASSETS	GOODWILL
Balance at 1 January 2014	**2,149**	**0**	**-**	**2,149**	**8,139**
Net increases	697			697	-
Net drecreases and impairment	0			0	-
Amortisation	(799)			(799)	-
Reclassifications	-			-	-
Exchange differences on foreign subsidi	155			155	-
Balance at 31 December 2014	**2,202**	**0**	**-**	**2,202**	**8,139**
Net increases	641	3,089		3,730	-
Net drecreases and impairment	0			0	-
Amortisation	(600)			(600)	-
Reclassifications	14	100		114	-
Exchange differences on foreign subsidi	147			147	-
Balance at 31 December 2015	**2,404**		**-**	**5,593**	**8,139**

EXPLANATORY NOTES - ATTACHMENT 2

- Statement of changes in property, plant and equipment from 1 January 2014 to 31 December 2015

Panariagroup - Consolodated financial statements

Statement of changes in property, plant and equipment
from 1 January 2014 to 31 December 2015
(in thousands of Euro)

	Land and buildings	Plant and Machinery	Equipment and Other Assets	Construction in progress and advances	Total
Balance at 1 January 2014	**26,024**	**48,268**	**13,126**	**2,940**	**90,358**
Net increases	226	9,488	2,641	880	13,235
Net decreases and impairment	(64)	(12)	(14)		(90)
Amortisation	(1,028)	(11,526)	(3,361)		(15,915)
Reclassifications	-	1,515	1,425	(2,940)	-
Decrease for earthquake					-
Exchange differences on foreign subsidiaries	-	1,549	714	-	2,263
Balance at 31 December 2014	**25,158**	**49,282**	**14,531**	**880**	**89,851**
Net increases	698	15,530	3,371	14,911	34,510
Net decreases and impairment	(4)	(587)	(6)		(597)
Amortisation	(997)	(12,400)	(3,456)		(16,853)
Reclassifications	-	819	121	(1,054)	(114)
Exchange differences on foreign subsidiaries	-	1,610	728	(20)	2,318
Balance at 31 December 2015	**24,855**	**54,254**	**15,289**	**14,717**	**109,115**

EXPLANATORY NOTES - ATTACHMENT 3

- Statement of changes in financial position

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

CONSOLIDATED FINANCIAL STATEMENTS

NET FINANCIAL POSITION

(THOUSANDS OF EURO)

		31-Dec-2015	31-Dec-2014
A	Cash	(46)	(162)
B	Other Cash and cash equivalents	(7,454)	(2,770)
C	Securities held for sale	0	0
D	**Liquidità (A+B+C)**	**(7,500)**	**(2,932)**
E	**Short-term financial assets**	**(778)**	**(698)**
F	Due to banks	14,230	12,740
G	Current portion of long-term loans	21,885	27,056
H	Other short-term financial debt	1,035	928
I	**Short-term financial indebtedness (F+G+H)**	**37,150**	**40,724**
J	**Net short-term financial indebtness**	**28,872**	**37,094**
K	**Long-term financial assets**	**(9,330)**	**(9,064)**
L	Non-current portion of long-term loans	53,467	42,301
M	Due to bondholders	0	0
N	Other long-term financial debt	9,982	9,860
O	Long-term financial indebtedness (L+M+N)	**63,449**	**52,161**
P	**Net long-term financial indebtness (O-K)**	**54,119**	**43,097**
	Net financial indebtness (J+P)	**82,991**	**80,191**

The Group does not have any negative pledges and covenants on debt positions outstanding at the end of the year.

EXPLANATORY NOTES - ATTACHMENT 4

- 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
Sonia Bonfiglioli	Director	Independent non-executive
Roberto Tunioli	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 2016 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
Enrico Palandri
Sonia Bonfiglioli
Paolo Onofri

Internal Control Commitee

Name
Paolo Onofri
Enrico Palandri
Sonia Bonfiglioli

Supervisory board

Name
Francesco Tabone
Alessandro Iori
Bartolomeo Vultaggio

Independent Auditors

Reconta Ernst & Young S.p.A.

EXPLANATORY NOTES - ATTACHMENT 5

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

Type of services	Party providing the services	Recipient	Fees earned in 2015
Auditing	Reconta Ernst & Young S.p.A.	Panariagroup S.p.A.	137
	Reconta Ernst & Young S.p.A.	Panariagroup USA e controllate (*)	79
	Deloitte & Touche s.a.	Gres Panaria Portugal s.a. (*)	30
Other services	Reconta Ernst & Young S.p.A.	Panariagroup S.p.A.	10
Totale			**256**

(*) Wholly owned (direct and indirect) by Panariagroup S.p.A.

EXPLANATORY NOTES - ATTACHMENT 6

- Certification of the consolidated 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 consolidated 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, Emilio 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 consolidated financial statements during the period ended 31 December 2015.

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

3. We also certify that:

3.1 the Consolidated 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.

Sassuolo, 18 March 2016

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-dec-2015	31-dec-2014
CURRENT ASSETS	**73,697**	**70,947**
Inventories	52,718	50,942
Trade Receivables	16,784	15,661
Due from tax authorities	0,255	0,399
Other current assets	2,348	2,240
Cash and cash equivalents	1,592	1,705
NON-CURRENT ASSETS	**54,000**	**46,280**
Goodwill	0,000	0,000
Intangible assets	3,493	1,578
Property, plant and equipment	32,986	25,307
Financial assets	10,228	11,074
Deferred tax assets	7,001	7,699
Other non-current assets	0,293	0,622
TOTAL ASSETS	**127,697**	**117,227**

LIABILITIES	31-dec-2015	31-dec-2014
CURRENT LIABILITIES	**33,555**	**27,329**
Due to banks and other sources of finance	2,908	3,664
Trade payables	27,744	20,570
Due to tax authorities	0,491	0,714
Other current liabilities	2,412	2,381
NON-CURRENT LIABILITIES	**34,002**	**37,276**
Employee severance indemnities	-	-
Deferred tax liabilities	4,559	1,975
Provisions for risks and charges	0,115	0,050
Due to banks and other sources of finance	25,448	34,374
Other non-current liabilities	3,880	0,877
TOTAL LIABILITIES	**67,557**	**64,605**
EQUITY	**60,140**	**52,622**
Share capital	63,020	63,020
Capital Reserves	(10,853)	(15,407)
Net Profit	7,973	5,009
TOTAL LIABILITIES AND EQUITY	**127,697**	**117,227**

PANARIAGROUP USA

CONSOLIDATED FINANCIAL STATEMENT

(THOUSANDS OF DOLLARS)

	31-dec-2015		31-dec-2014	
REVENUES FROM SALES AND SERVICES	**145,961**	**94,7%**	**132,295**	**95,0%**
Change in inventories of finished products	3,413	2,2%	2,698	1,9%
Other revenues	4,820	3,1%	4,242	3,0%
VALUE OF PRODUCTION	**154,194**	**100,0%**	**139,235**	**100,0%**
Raw materials	(62,805)	-40,7%	(57,741)	-41,5%
Services, leases and rentals	(40,354)	-26,2%	(38,807)	-27,9%
Personnel costs	(30,577)	-19,8%	(26,126)	-18,8%
Other operating expenses	(1,956)	-1,3%	(1,746)	-1,3%
PRODUCTION COSTS	**(135,692)**	**-88,0%**	**(124,420)**	**-89,4%**
GROSS OPERATING PROFIT	**18,502**	**12,0%**	**14,815**	**10,6%**
Amortisation and depreciation	(5,009)	-3,2%	(4,911)	-3,5%
Provisions and writedowns	(0,503)	-0,3%	(0,197)	-0,1%
NET OPERATING PROFIT	**12,990**	**8,4%**	**9,707**	**7,0%**
Financial income (expense)	(1,062)	-0,7%	(1,350)	-1,0%
PRE-TAX PROFIT	**11,928**	**7,7%**	**8,357**	**6,0%**
Income taxes	(3,955)	-2,6%	(3,348)	-2,4%
NET PROFIT	**7,973**	**5,2%**	**5,009**	**3,6%**