PANARIAgroup®

Half Yearly Consolidated Financial Statement 2017

Panariagroup Industrie Ceramiche

DIRECTORS' INTERIM REPORT

Panariagroup is a leading Italian multinational company in innovation and beauty.

OUR MISSION

We are specialised in producing and selling ceramic coverings in order to promote beauty and innovation.

• Our team generates sustainable value for shareholders, employees and business partners, in compliance with the company's corporate environment.

• Our focus is on research and innovation to serve the beauty and quality of our products.

• Our goal is to meet our private and professional customers' high expectations of wellness and aesthetics, in both buildings and architecture.

OUR VALUES

<u>TECHNOLOGICAL LEADERSHIP</u>

We constantly invest in research, technologies and cutting edge facilities to meet all architecture and interior design requirements with innovative solutions capable of being an industry reference point.

<u>AESTHETIC QUALITY AND EXCELLENCE</u>

We diligently research industrial excellence, from the qualities of raw materials to process efficiency, in order to obtain products that combine absolute aesthetic value with extremely high technical performances.

<u>RESPONSIBILITY</u>

Our central focus is always people and the quality of life, with safe, environmentally sustainable products, by operating with the utmost respect for those who work with us.

<u>RELIABILITY</u>

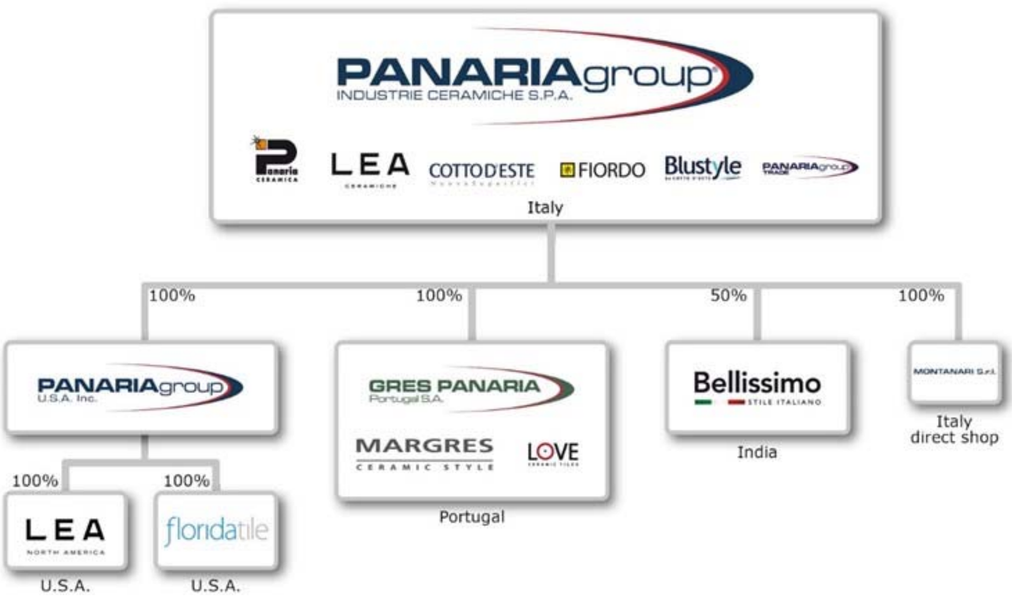
The guarantee of a Group that, from family roots in the ceramics district of Sassuolo to listing on the Milan Stock Exchange, has grown into a formidable international company, that operates all over the world while retaining an Italian core.

Panariagroup is one of the main producers of ceramics for floors and walls. It employs 1,600 staff, has 10,000 customers and 6 production facilities (3 in Italy, 2 in Portugal and 1 in the United States) and has a presence through its extensive and widespread sales network in more than 120 countries worldwide.

Specialised in the production of porcelain and laminated grès stoneware, the Group is positioned in the high-end and deluxe market segment through its nine commercial brands: Panaria, Lea, Cotto d'Este, Blustyle, Fiordo, Florida Tile, Margres, Love Tiles and Bellissimo, able to satisfy a diversified range of customers and attentive to the technical and aesthetic quality of its products.

1. <u>STRUCTURE OF THE GROUP</u>

The structure of the Group as of 30 June 2017 is as follows:



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

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

Gres Panaria Portugal S.A., based in Chousa Nova, Ilhavo (Portugal), share capital of Euro 16,500,000, subscribed and paid in, wholly owned by Panariagroup Industrie Ceramiche S.p.A.

Gres Panaria Portugal produces ceramic tiles for floors and walls under two separate brand names, Margres and Love Tiles, both aimed at the main European markets.

Panariagroup USA Inc., based in Delaware, USA, share capital of USD 65,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
It owns 100% interests 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, Modena (Italy), share capital of Euro 48,000, 100% owned by Panariagroup Industrie Ceramiche S.p.A. This company runs a retail outlet for ceramic tiles.

The Group also has an investment in a Joint Venture Company, headquartered in the Indian state of Gujarat. This company is held 50% by Panariagroup and 50% by AGL India Ltd, a leading manufacturer in the Indian market.

2. DIRECTORS AND OFFICERS

Board of Directors

Full Name	Office
Mussini Emilio	Chairman of the Board and Managing Director
Mussini Paolo	Deputy Chairman and Managing Director
Mussini Andrea	Deputy Chairman
Pini Giuliano	Managing Director
Mussini Giuliano	Director
Mussini Silvia	Director
Prodi Daniele	Director
Bazoli Francesca	Independent Director
Bonfiglioli Sonia	Independent Director
Ferrari Tiziana	Independent Director

Board of Statutory Auditors

Full Name	Office
Marchese Sergio	Chairman of the Board of Statutory Auditors
Ascari Piergiovanni	Standing Auditor
Muserra Francesca	Standing Auditor

Independent Auditors

EY S.p.A.

Directors' Interim Report on the 2017 Condensed Half-yearly Consolidated Financial Statements

Results and significant events in the first half of 2017

Dear Shareholders,

Over the first half of 2017, global trade has generally grown, also thanks to the ongoing recovery in the economies of emerging countries.
GDP recorded a significant increase both in Russia and in Brazil, with a reversion trend from recession. Also India's economy reported a recovery.
Growth continued positively in China, to a greater extent than expected, while growth in the United States and United Kingdom was below estimates.
The current economic expansion in the Euro area is generally showing signs of constant growth, which is generally wide-spreading to all economic sectors.
The monetary policy implemented by the ECB fostered new investments, driven by very favourable loan terms and improved profitability of companies. The increase in employment, which also benefited from reforms of the labour market, supports real income available to households, with a consequent increase in private consumption.
In the first half of 2017, a significant recovery in real estate purchases and sales was reported above all in industrialised countries. The building sector is still oriented to the renewal of the existing real estate properties, albeit new buildings have slightly increased.
The Italian ceramics industry, during the first half of 2017, reported a growth of 4.2%.

In the presence of a favourable macroeconomic context, the Group continued to grow, achieving excellent results in the first half of the year.

A summary of the economic results is shown below:

- consolidated **net revenues** amounted to Euro 206.8 million, an increase of Euro 13.0 million compared to the first half of 2016 (+6.7%).
- **gross operating profit** amounted to Euro 27.9 million, an improvement of Euro 6.5 million (+30.4%).
- **net operating profit** amounted to Euro 16.2 million, an increase of Euro 5.2 million (+47.3%).
- **consolidated net profit** amounted to Euro 9.6 million, an increase of Euro 4.2 million (+76.8%).

The growth in revenues from sales (+6.7%) not only reflects the overall increase in ceramics consumption, but is above all the evidence of the consolidated commercial capacity of Panariagroup to successfully compete on the main world markets.

Margins, already positive in the first half of 2016, further increased with a significant improvement in results. The positive change in Gross Operating Profit (Euro +6.5 million, equal to +30.4%) and in Net Profit (Euro +4.2 million, equal to +76.8%) should be highlighted.

The improvement in profitability especially benefited from the significant growth of margins in the Italian Business Unit that, also benefiting from the numerous reorganization operations carried out over the last two years, obtained excellent economic results, while allowing for higher-than-expected performance in the half year.
Meanwhile, excellent performance in the Portuguese Business Unit is also reported, and the US Business Unit confirmed positive economic results.

In addition, the main equity and financial indicators (Net Working Capital and Net Financial Position) confirmed their excellent levels, once again evidence of the Group's strength.

Significant events

Growth in turnover, compared to 2016, determined a greater need for finished products, covered by a higher use of all production plants of the Group. While in the Italian and US plants it is still possible to increase production volumes, the two Portuguese plants have reached their full capacity of use.

We have therefore decided to invest in Portugal, by enlarging the production capacity of the plant in Aveiro, for which the building of a new complete line for porcelain grès tiles (press, dryer, glazing machine, oven, selection line) is scheduled and is due to be completed by the end of the year.
The decision of strengthening the Portuguese production pole reflects the remarkable development witnessed by Gres Panaria Portugal over the last few years, and aims at further enhancing the strategic function of this manufacturing pole for all Panariagroup Brands.

With reference to the US Business Unit, it is worth noting that new areas within the National Distribution Center have now become operative. This operation completed the huge strengthening programme concerning logistics and production started in 2016.

As part of an IT integration project for all Group Business Units, through the adoption of one single platform (SAP), it is noted that the three US companies Florida Tile, Panariagroup USA and Lea North America started to use the new software in January 2017.
The development programme now provides for a gradual extension to the Portuguese and Italian Business Units.

Investments, totalling Euro 3.8 million and aimed at technological upgrading and increased efficiency, were made in the Italian facilities. Moreover, operations aimed at reducing electricity consumption and improving safety at workplace are worth reporting.

With regard to estimated investments for the 2017-2018 period in the Italian Business Unit, the management is thoroughly assessing the opportunities offered by the tax incentive called “Industria 4.0”, focused on fostering the technological upgrading of plants within an inter-connection viewpoint. The outcome of these analyses might bring forward, by some months, already budgeted investments, thus reflecting the recovery of a good growth that now seems consolidated.

Review of the Group's results as of 30 June 2017

Income statement - Comparison between 30 June 2017 and 30 June 2016
(in thousands of Euro)

	30 Jun 2017	%	30 Jun 2016	%	var.	var. %
Revenues from sales and services	**206,838**	**92.95%**	**193,795**	**97.11%**	**13,043**	**6.73%**
Change in inventories of finished products	10,016	4.50%	45	0.02%	9,971	
Other revenues	5,683	2.55%	5,724	2.87%	(41)	-0.72%
Value of Production	**222,537**	**100.00%**	**199,564**	**100.00%**	**22,973**	**11.51%**
Raw, ancillary and consumable materials	(61,081)	-27.45%	(56,359)	-28.24%	(4,722)	8.38%
Services, leases and rentals	(82,600)	-37.12%	(72,881)	-36.52%	(9,719)	13.34%
Personnel costs	(49,265)	-22.14%	(46,876)	-23.49%	(2,389)	5.10%
Changes in inventories of raw materials	(1,707)	-0.77%	(2,064)	-1.03%	357	-17.30%
Cost of production	**(194,653)**	**-87.47%**	**(178,180)**	**-89.28%**	**(16,473)**	**9.25%**
Gross operating profit	**27,884**	**12.53%**	**21,384**	**10.72%**	**6,500**	**30.40%**
D&A expenses	(10,615)	-4.77%	(9,135)	-4.58%	(1,480)	16.20%
Provisions and other impairments	(1,084)	-0.49%	(1,264)	-0.63%	180	-14.24%
Net operating profit	**16,185**	**7.27%**	**10,985**	**5.50%**	**5,200**	**47.34%**
Financial income and expense	(2,461)	-1.11%	(2,018)	-1.01%	(443)	21.95%
Pre-tax profit	**13,724**	**6.17%**	**8,967**	**4.49%**	**4,757**	**53.05%**
Income taxes	(4,144)	-1.86%	(3,549)	-1.78%	(595)	16.77%
Net profit (loss) for the period	**9,580**	**4.30%**	**5,418**	**2.71%**	**4,162**	**76.82%**

Income statement - 2017 Performance by quarter
(in thousands of Euro)

	Q1	%	Q2	%	30 June 2017	%
Revenues from sales and services	**99,272**	**92.84%**	**107,566**	**93.04%**	**206,838**	**92.95%**
Change in inventories of finished products	5,307	4.96%	4,709	4.07%	10,016	4.50%
Other revenues	2,344	2.19%	3,339	2.89%	5,683	2.55%
Value of Production	**106,923**	**100.00%**	**115,614**	**100.00%**	**222,537**	**100.00%**
Raw, ancillary and consumable materials	(30,229)	-28.27%	(30,852)	-26.69%	(61,081)	-27.45%
Services, leases and rentals	(38,901)	-36.38%	(43,699)	-37.80%	(82,600)	-37.12%
Personnel costs	(24,674)	-23.08%	(24,591)	-21.27%	(49,265)	-22.14%
Changes in inventories of raw materials	(882)	-0.82%	(825)	-0.71%	(1,707)	-0.77%
Cost of production	**(94,686)**	**-88.56%**	**(99,967)**	**-86.47%**	**(194,653)**	**-87.47%**
Gross operating profit	**12,237**	**11.44%**	**15,647**	**13.53%**	**27,884**	**12.53%**
D&A expenses	(5,113)	-4.78%	(5,502)	-4.76%	(10,615)	-4.77%
Provisions and other impairments	(370)	-0.35%	(714)	-0.62%	(1,084)	-0.49%
Net operating profit	**6,754**	**6.32%**	**9,431**	**8.16%**	**16,185**	**7.27%**
Financial income and expense	(720)	-0.67%	(1,741)	-1.51%	(2,461)	-1.11%
Pre-tax profit	**6,034**	**5.64%**	**7,690**	**6.65%**	**13,724**	**6.17%**
Income taxes	(2,009)	-1.88%	(2,135)	-1.85%	(4,144)	-1.86%
Net profit (loss) for the period	**4,025**	**3.76%**	**5,555**	**4.80%**	**9,580**	**4.30%**

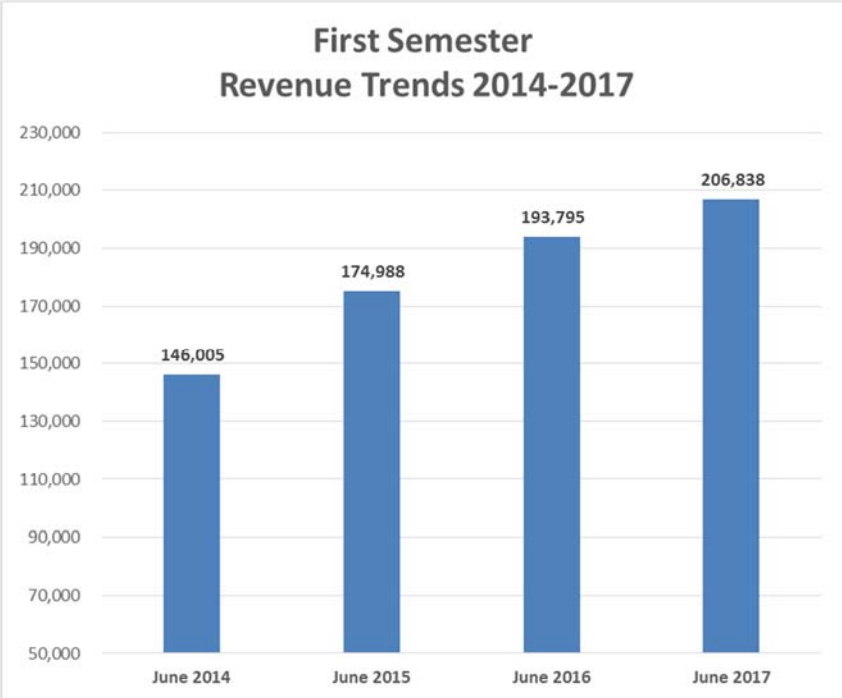
Income statement - Comparison between 2nd quarter of 2017 and 2nd quarter of 2016
(in thousands of Euro)

	Q2 2017	%	Q2 2016	%	Var	Var. %
Revenues from sales and services	**107,566**	**93.04%**	**102,279**	**98.50%**	**5,287**	**5.17%**
Change in inventories of finished products	4,709	4.07%	(1,534)	-1.48%	6,243	
Other revenues	3,339	2.89%	3,087	2.97%	252	8.15%
Value of Production	**115,614**	**100.00%**	**103,833**	**100.00%**	**11,781**	**11.35%**
Raw, ancillary and consumable materials	(30,852)	-26.69%	(29,061)	-27.99%	(1,791)	6.16%
Services, leases and rentals	(43,699)	-37.80%	(38,167)	-36.76%	(5,532)	14.49%
Personnel costs	(24,591)	-21.27%	(23,346)	-22.48%	(1,245)	5.33%
Changes in inventories of raw materials	(825)	-0.71%	(1,195)	-1.15%	370	-30.96%
Cost of production	**(99,967)**	**-86.47%**	**(91,769)**	**-88.38%**	**(8,198)**	**8.93%**
Gross operating profit	**15,647**	**13.53%**	**12,064**	**11.62%**	**3,583**	**29.70%**
D&A expenses	(5,502)	-4.76%	(4,675)	-4.50%	(827)	17.69%
Provisions and other impairments	(714)	-0.62%	(827)	-0.80%	113	-13.66%
Net operating profit	**9,431**	**8.16%**	**6,562**	**6.32%**	**2,869**	**43.72%**
Financial income and expense	(1,741)	-1.51%	(867)	-0.83%	(874)	100.81%
Pre-tax profit	**7,690**	**6.65%**	**5,695**	**5.48%**	**1,995**	**35.03%**
Income taxes	(2,135)	-1.85%	(2,180)	-2.10%	45	-2.06%
Net profit (loss) for the period	**5,555**	**4.80%**	**3,515**	**3.39%**	**2,040**	**58.04%**

Consolidated revenues

Revenues from sales grew by over Euro 13 million (+6.7%) overall, from Euro 193.8 million as of 30 June 2016 to Euro 206.8 million as of 30 June 2017.

The improvement, over the last four years, highlighted the steady growth trend in total sales reported at Group level:



Main reference markets

The Group obtained an improvement in results, compared to the first half of 2016, in all the main areas. In particular, the best performance was reported by the European market.

In **Europe**, in fact, the Group recorded a double-digit increase in sales (+11%). This growth was mostly due to the markets in Germany, Great Britain and Portugal. The remarkable results obtained in the Eastern European areas are also worth mentioning.

We wish to highlight once more the exceptional trend that has been reported in Portugal over the last few years, where we are continuously increasing our market share, strong of an acknowledged leadership.

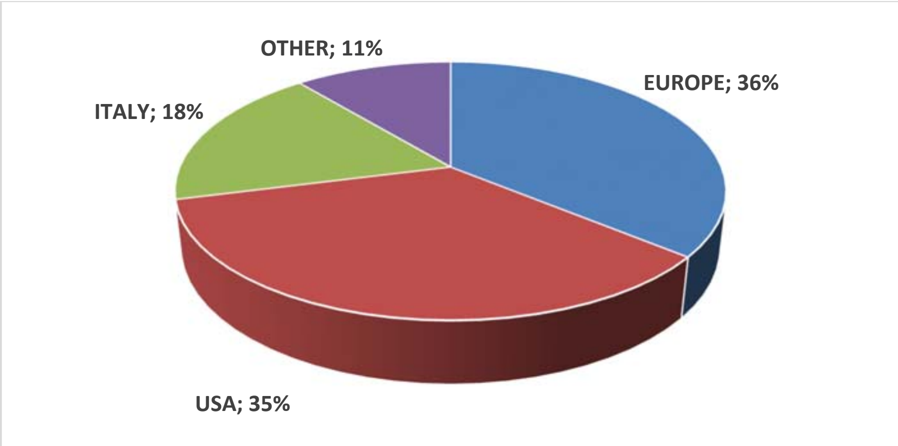
European markets accounted for 36% of total revenues.

The turnover obtained on the **USA market** is further growing, with a positive 4% change, compared to the same period of the previous year.
The good estimates on the trend of ceramics consumption, inferable from the main macro-economic indicators, are also confirmed by the growth in imports of ceramic tile products, which is an evidence of a dynamic US market.
We deem that, with its strong presence on the territory through its US Business Unit, the Group has all the instruments to fully seize this positive market trend.
The US market accounted for 35% of total revenues.

The **Italian market** reported 5% improvement in results, compared to the first half of 2016, slightly better than Italian competitors (+ 2%).
In the ceramics sector, a greater trust is felt and more evident recovery signs can be seen, albeit still limited to the restructuring segment. We still consider Italy an important market for the Group and will still strive to obtain further market shares.
The Italian market's share of total sales was 18%.

As regards **other markets** (Asia, Canada, South America, Oceania and Africa), the Group confirmed excellent results, with a growth in turnover equal to 8%, compared to the first half of 2016.
The best performance was reported in the Asian area and Oceania, mostly thanks to the positive contribution of the commercial activities of Panariagroup Trade.
The Group's presence in these areas is still growing towards an even more balanced distribution of sales on a global scale.
The other markets account for 11% of total sales.

The strong presence of Panariagroup in all the main international markets is still a key factor for the Group's competitiveness and the search for new trade development opportunities is still one of our major targets.



<u>Performance of the Group's Divisions</u>

While strengthening the good signs already highlighted last year, the **Italian Business Unit** achieved 10% growth, with positive results in all the main areas, confirming its strong recovery.
The Panariagroup Trade organisations, Cotto d'Este / Blustyle and the Private Label Division (Third-Party), particularly stood out thanks to their dynamism and commercial development.
The positive impact resulting from the important reorganisation activity carried out in Italy in the last two years is even more evident.

The **Portuguese Business Unit** continues to stand out for its excellent growth rates. We are also confirming that a significant growth in sales is foreseen over the next few months as well.
The strong development that is marking Gres Panaria Portugal, combined with the strategic importance of the Portuguese production pole for the Group, fully justify the investment programmes that envisage the expansion of the production capacity at the plant in Aveiro.

The **US Business Unit** reported a positive growth in sales; in addition the performance of the US market over the next months is commonly estimated with optimism.
The recent weakening of the US currency, while, on the one hand, is unfavourable to the Group due to the unfavourable US dollar/Euro exchange, on the other hand it reinforces our competitiveness, as American producer, compared to other companies that export to the United States.

Operating results

Gross Operating Profit came to **Euro 27.9 million**, representing 12.5% of the Value of Production (Euro 21.4 million as of 30 June 2016, or 10.7% of the Value of Production), with growth of Euro 6.5 million (+30.4%).

Growth in turnover, accompanied by a reduction in production costs, determined an important positive result in economic terms.

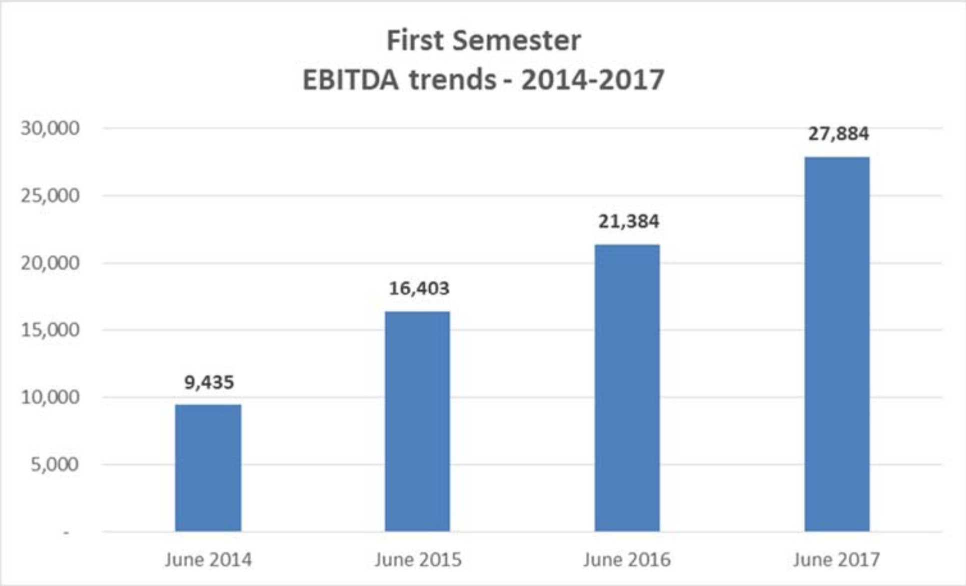
This rise in sales is fully attributable to an increase in traded volumes, with a stable average sales price.

The growth in volumes also led to a further benefit, in terms of greater use of production capacity, with consequent reduction in unit production costs.

Moreover, the implementation of major industrial investments, made in the last two years, permitted to have significant benefits, while obtaining a more efficient production performance.

In addition, the European business units benefited from a reduction in energy prices, compared to 2016, which supplied a positive contribution to the improvement of the Group's results. This important saving was achieved thanks to the careful planning of procurement, which led to the subscription of multi-annual agreements, in the years when energy costs were at minimum levels.

The following chart is the clear expression of the regular and constant growth of the Gross Operating Profit, over the last four years:



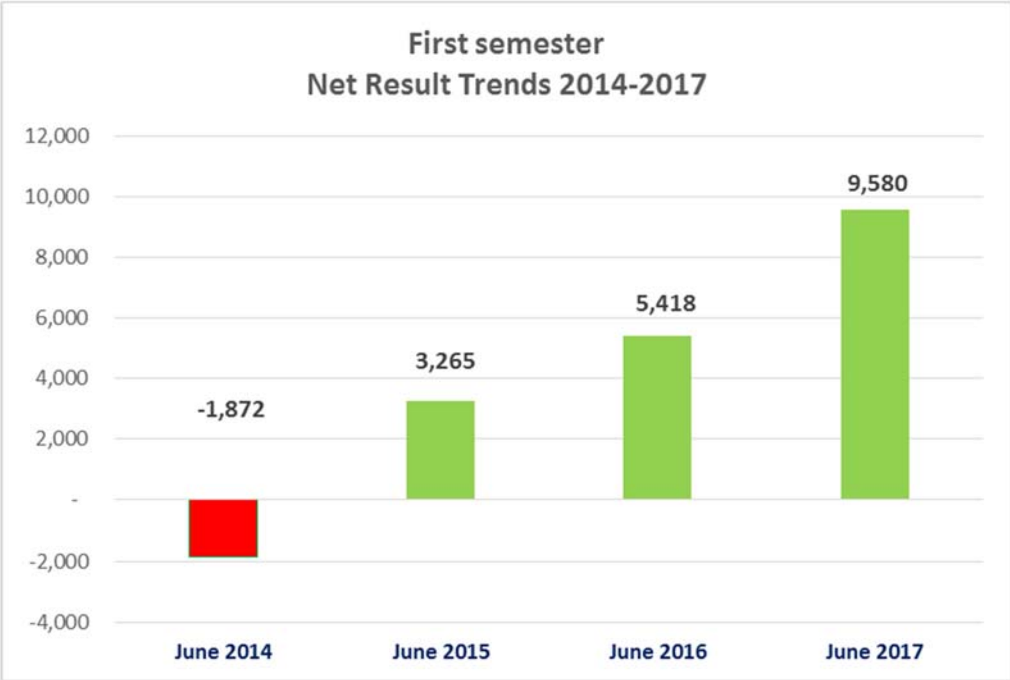
Net operating profit amounted to Euro 16.2 million (Euro 11.0 million as of 30 June 2016), with a positive change of Euro 5.2 million.

Amortisation/depreciation in 2017 amounted to Euro 10.6 million, up by Euro 1.5 million compared to the first half of 2016, due to the relevant investments made over the last 12 months, whose impact on the Value of Production was equal to 4.8%, substantially unchanged compared to last year and at lower levels with respect to sector results.

Financial expenses remain at low levels, with an impact of 1% on total sales. The current pricing terms of loans, combined with a careful management of treasury, permitted us to obtain financial resources at very low interest rates.

The **Consolidated Net Result** was a profit of Euro 9.6 million (Euro 5.4 million as of 30 June 2016).

The chart showing the performance of the Net Result highlights the positive trend over the last four years:



Summary of the Reclassified Consolidated Balance sheet
(in thousands of Euro)

	30 June 2017	31 Mar 2017	31 Dec 2016	30 June 2016
Inventories	145,945	144,473	140,173	137,507
Accounts Receivable	97,389	91,143	79,903	95,228
Other current assets	12,076	12,640	13,657	10,720
CURRENT ASSETS	**255,410**	**248,256**	**233,733**	**243,455**
Account Payables	(84,907)	(82,239)	(83,647)	(82,839)
Other current liabilities	(31,815)	(28,661)	(28,097)	(28,869)
CURRENT LIABILITIES	**(116,722)**	**(110,900)**	**(111,744)**	**(111,708)**
NET WORKING CAPITAL	**138,688**	**137,356**	**121,989**	**131,747**
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	14,251	14,052	13,967	8,071
Tangible assets	117,432	119,002	119,595	112,975
Equity Investments and other financial assets	48	75	82	6
FIXED ASSETS	**139,870**	**141,268**	**141,783**	**129,191**
Receivables due after following year	653	775	777	599
Provision for termination benefits	(5,794)	(5,793)	(5,913)	(5,740)
Provision for risk and charge	(4,951)	(4,787)	(4,725)	(4,459)
Deferred tax assets	2,993	4,745	5,405	7,923
Other payables due after the year	(2,473)	(2,929)	(3,386)	(6,278)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(9,572)**	**(7,989)**	**(7,842)**	**(7,955)**
NET CAPITAL EMPLOYED	**268,986**	**270,635**	**255,930**	**252,983**

Short term financial assets	(7,273)	(7,156)	(16,995)	(13,753)
Short term financial debt	41,147	41,325	36,505	53,666
NET SHORT TERM FINACIAL DEBT	**33,874**	**34,169**	**19,510**	**39,913**
Mid-Long term financial debt	61,458	61,103	64,202	49,703
NET FINANCIAL POSITION	**95,332**	**95,272**	**83,712**	**89,616**
Group Shareholders' Equity	173,654	175,363	172,218	163,367
SHAREHOLDERS' EQUITY	**173,654**	**175,363**	**172,218**	**163,367**
TOTAL SOURCES OF FOUNDS	**268,986**	**270,635**	**255,930**	**252,983**

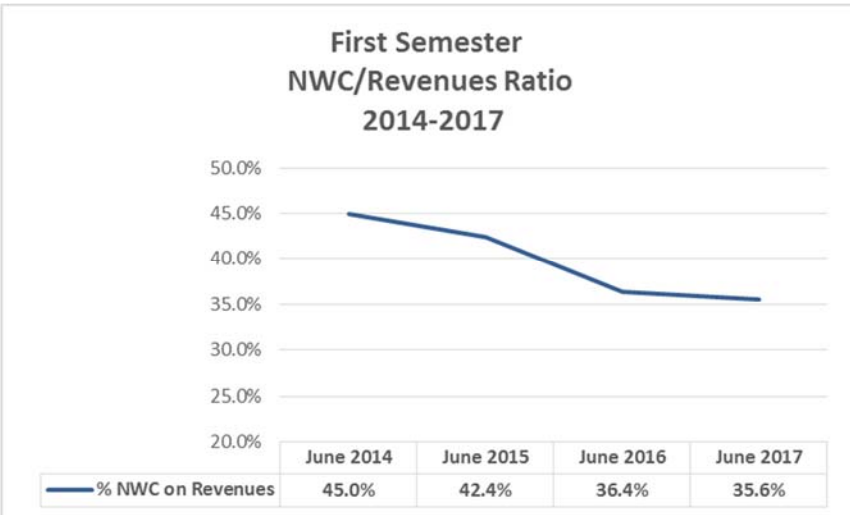
As required by Consob Communication DEM/6064293 of 28 July 2006, a reconciliation between the above consolidated reclassified balance sheet and the related financial statement format is attached to the directors' report.

Net working capital

Net working capital grew by Euro 6.9 million, equal to 5.2%, compared to 30 June 2016, partially in line with the growth in total sales.

Changes in inventories, compared to the first half of 2016, are in line with changes in revenues, while maintaining the turnover ratio of stocks unaltered.
The increase in receivables from customers is less significant (+2%) and only partially reflects the higher sales. The effect is an improved “average collection times” index, a trend that is consolidating, also thanks to a better economic context, as well as the Group’s effective management of payment collection.
Payables due to suppliers reported 3% growth, lower than the trend of production volumes; this trend is justified by significant payments made to plant suppliers, during the first half of the year, in relation to the large investments of previous year.

The capacity of maintaining the change in Net Working Capital below the increase in total sales, permitted to further improve the NWC / Revenues ratio that was 35.6% at the end of the six-month period.



The ratio between the NWC at the reporting date and Revenues in the last 12 months was considered in the calculation.

In this development phase, we deem that maintaining the control of Net Working Capital levels is of key importance. To this purpose, the constant monitoring of stocks and the careful scheduling of production play a particularly important role.

Non-current assets

Non-current assets have decreased by Euro 1.9 million since the beginning of the year.

The main changes are:

- investments equal to Euro 12.5 million, which include Euro 5.2 million in the Italian Business Unit, Euro 3.1 million in the Portuguese Business Unit, and Euro 1.2 million in the US Business Unit.
- lower value of fixed assets of the US sub-consolidation expressed in Euro, because of the depreciation of the dollar since the end of 2016, of Euro 3.8 million.
- depreciation and amortisation for the period, equal to Euro 10.6 million.

In the second half of the year, higher investments are planned compared to the first half. In particular, the most important work, already started, is the latest and complete line for the plant in Aveiro. Thanks to its outstanding characteristics in terms of productivity, compared to the previous line, this line, which will replace the already existing one, will ensure higher production capacity and a reduction in production unit costs.

It can be also foreseen that the Italian tax incentive, called “Industria 4.0”, which has a limited application time, might represent a boost to investment activities for 2017, taking account of Panariagroup’s willingness to develop sales volume and the fact that the Group has always been focused on innovation, which is a peculiar characteristic of the assets object of the incentives.

Net financial position

Financial cash flow
(millions of euro)

	30 June 2017	31 Dec 2016	30 June 2016
Net financial position (debt) - beginning	**(83.7)**	**(83.0)**	**(83.0)**
Net Result for the period	9.6	11.2	5.4
D & A	10.6	19.4	9.1
Net Variation Provisions	3.0	6.9	3.1
Non monetary changes	0.1	(0.1)	0.1
Internal operating Cash flow	**23.3**	**37.3**	**17.8**
Change in net working capital and other assets and liabilities	(19.9)	(1.2)	(8.4)
Dividends	(3.1)	0.0	0.0
Net Investments	(12.5)	(36.7)	(16.1)
Change in the translation reserve	0.5	(0.1)	0.2
Net financial position (debt) - final	**(95.3)**	**(83.7)**	**(89.6)**

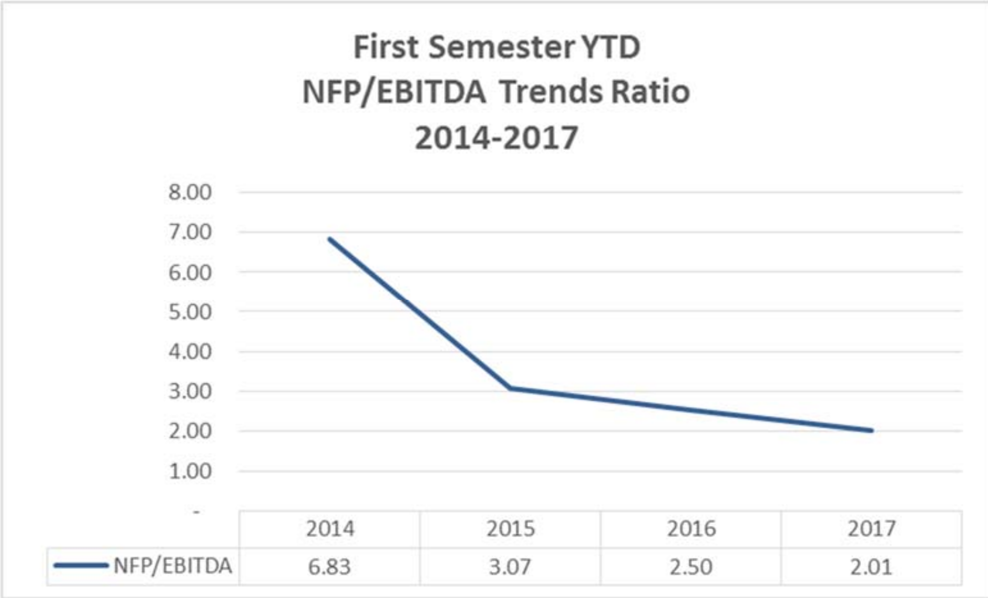
For a better understanding of the exchange rate effect on the Net Financial Position, the changes in the individual components of equity are "net" of the exchange rate effect which is incorporated in full in the item "change in the translation reserve". This item represents the actual impact of the change in exchange rates on the Group's Net Financial Position

Net Financial Position increased by Euro 5.7 million, compared to 30 June 2016. A significant portion of this change is due to the dividend distributed to shareholders in May and amounting to Euro 3.1 million.

Financial resources generated by operations, and growing with respect to the first half of 2016, allowed for effectively supporting investments and growth of Net working Capital, both needed to support sales.

Expectations for the second half of the year are an improvement in financial indebtedness, also considering the expected recovery resulting from the seasonal trends, which is typical of inventories and receivables from customers.

The EBITDA / NFP ratio, which has been taken as benchmark by the Group to assess Financial Indebtedness targets, further improved over the six-month period, thanks to the growth in GOM and is now 2.01.



Equity

Equity rose from Euro 172.2 million as of 31 December 2016 to Euro 173.7 million as of 30 June 2017, marking growth of Euro 1.5 million. The positive change, resulting from net profit, was entirely offset by the payment of dividends to shareholders and the weakening of the US dollar, which negatively affected the translation into Euro of the Equity related to Group US companies. The impact amounted to Euro 4.9 million.

Segment information

The application of IFRS 8 – Operating Segments became compulsory on 1 January 2009. The 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.

By contrast, the previous standard, IAS 14 – Segment Reporting, required the identification of segments (primary and secondary) with reference to the related risks and benefits; the system of reporting used was only a starting point for such 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 data required by Paragraphs 32-33 of IFRS 8 are presented below. In particular:

- The breakdown of revenues by principal geographical area and by type of product is provided in the table presented in the earlier section on "Revenues",
- The breakdown of total assets by geographical location is shown below:

CONSOLIDATED FINANCIAL STATEMENT

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

ASSETS	Italy	Europe	USA	Other	30/06/2017
NON-CURRENT ASSETS	**55**	**47**	**70**	**0**	**172**
Goodwill	0.4	7.8	-	-	8.1
Intangible assets	6.3	0.4	7.5	-	14.3
Property, plant and equipment	41.9	37.4	38.2	-	117.4
Equity Investments	0.0	0.0	-	0.0	0.0
Deferred tax assets	6.6	1.0	3.6	-	11.2
Other non-current assets	0.4	-	0.3	-	0.7
Non-current Financial Assets	-	-	20.3	-	20.3
CURRENT ASSETS	**125.4**	**53.3**	**72.0**	**13.2**	**263.9**
Inventories	78.7	22.0	45.2	-	145.9
Trade Receivables	35.6	27.7	20.9	13.2	97.4
Due from tax authorities	3.5	0.7	1.8	-	6.0
Other current assets	4.9	0.2	0.9	-	6.1
Current Financial Assets	-	-	1.2	-	1.2
Cash and cash equivalents	2.7	2.7	2.0	-	7.3
TOTAL ASSETS	**180.9**	**100.0**	**141.9**	**13.2**	**435.9**

	Italy	Europe	USA	Other	TOT
Net investments 2017	**5.2**	**3.1**	**4.2**	**-**	**12.5**

Research and development activities

Research and development activities have continued in 2017 within the sector of reference in which our Group has always distinguished itself.

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/luxury end of the ceramic tile market.

The new product lines completed and in the course of being completed in 2017, especially those to be presented, as usual, at the 2017 Cersaie trade fair (the most important trade fair in the world for the industry, held at the end of September) are expected to be well received, and the positive outcome of these innovations should be capable of generating good results in terms of turnover, with a favourable impact on the business.

Transactions with parent companies, affiliates and related parties

As regards the condensed half-yearly consolidated financial statements for 2017, related party transactions are explained in the explanatory notes.
In compliance with Consob Communication DEM/6064293 of 28 July 2006, we hereby specify that the Group's interest in carrying out the related-party transactions described in the explanatory notes is made explicitly manifest by the fact that almost all transactions consist of leases of industrial facilities used by the Parent Company for the conduct of its business.

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

As required by Consob Communication DEM/6064293 of 28 July 2006, the following table reconciles the Parent Company's equity and net profit with the corresponding consolidated amounts reported as of 30 June 2017 (in thousands of Euro):

	2017-06		2016-12		2016-06	
	Equity	Net Income (Loss)	Equity	Net Income (Loss)	Equity	Net Income (Loss)
As per Panariagroup Industrie Ceramiche SpA's financial statements (Partent Company)	**146,987**	**4,425**	**145,621**	**3,339**	**141,336**	**(1,339)**
Difference between the book value of equity investments and their value using the equity method	27,664	5,318	27,263	10,041	22,748	6,728
Elimination of unrealised gains arising on the intercompany transfer of inventories	(1,205)	27	(1,232)	(42)	(1,316)	(126)
Reversal of exchange losses (gains) on intercompany loan	0	168	0	(147)	0	119
Aligment to Group depreciation's rates	76	(11)	87	(22)	97	(11)
Recognition of deffered tax assets and (liabilities) reflecting the tax effect (where applicable) of consolidation adjustments	440	(2)	442	26	465	47
Elimination of unrealised gains arising from dividend disribution	0	0	0	(1,980)	0	0
Aligment at expected tax rate ex-IAS 34	(345)	(345)				
Other	37	0	37	0	37	0
Net effect of consolidation adjustments	**26,667**	**5,155**	**26,597**	**7,876**	**22,031**	**6,757**
As per consolidated financial statements	**173,654**	**9,580**	**172,218**	**11,215**	**163,367**	**5,418**

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 28 April 2017, the Company has renewed a stock buy-back programme which stood as follows as of 30 June 2017:

Treasury shares

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 2016, as no purchases or sales were made during 2017.

Panariagroup Industrie Ceramiche S.p.A. does not own any shares or quotas in the ultimate parent companies, nor did it own or trade in such shares or quotas during the first half of 2017; there are therefore no disclosures to be made in accordance with Article 2428 - paragraph 2, points 3 and 4 of the Italian Civil Code.

Atypical and/or unusual transactions

As required by Consob Communication DEM/6064293 of 28 July 2006, we declare that there were no atypical and/or unusual transactions, as defined in the explanatory notes, during the first half of 2017.

Privacy policy

In compliance with Attachment B) of the Italian Legislative Decree no. 196/2003 (Privacy Act), the directors acknowledge that the company has complied with the minimum security measures provided for by that legislation.

In particular, pursuant to point 26 of the same Attachment B), the company has properly prepared a Policy Document on Privacy for the year 2017 that has been deposited at the head office and may be consulted by authorised persons and/or the appropriate authorities.

Significant subsequent events

There were no significant events in the period following the closing of the financial statements as of 30 June 2017.

Outlook for Group operations

The performance of the first half of 2017 fulfilled all programmes set out by the Group and all assessment parameters of the business reported more than satisfactory levels.

The remarkable recovery of margin in the Italian Business Unit should be highlighted, which has rewarded the intense activity carried out to increase competitiveness over the last few years.

Forecasts for the next half year are positive and we believe that the Group is capable of obtaining, in the second half of the year as well, improved economic and financial results, compared to 2016.

Over the last few years, the Group has undertaken a highly structured path which, due to the crisis, was developed in three phases, each with specific objectives.
Starting from the first restructuring phase (streamlining of inventories, reconversion of plants), the Group has then passed to the reorganization phase (optimization of commercial structures, enhancement of managerial skills within the companies) until reaching the current development phase (new trade channels and new products), which will allow us to achieve new historic records for the company over the next two years, not only regarding revenues (already achieved in 2016), but also income.

For the two-year period 2017-2018, our programmes are already very clear and defined. For the years to come, the foreseeable Group's size and its stronger economic and equity position will allow for new possible strategic scenarios and growth opportunity that will be carefully assessed.

Report on Corporate Governance and the Ownership Structure

In compliance with the disclosure requirements of Borsa Italiana Spa and Consob, Panariagroup Industrie Ceramiche Spa has prepared the "*Report on Corporate Governance and the Ownership Structure*" which can be consulted at its website www.panariagroup.com in the section entitled Company Documents (as required by Art. 123-bis of Italian Law Decree no. 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

As all operators, Panariagroup is subjected to the risk of unpredictability market trends, and therefore, any significant negative changes in economic conditions, may have an impact on Group's economic and financial position.
We also believe that the balanced turnover distribution in the different geographic areas, represents an important mitigating factor for this risk.

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 quality 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 roughly 70% of the share capital - it is reasonable to assume that the possibility of its principal managers leaving the Group 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 – a difficult one 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 2016 and 2017. An unexpected increase in their prices could therefore have a negative impact on the Group's results 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 regard 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 the first half of 2017 consisted of 1,697 persons, an increase of 41 employees compared with the average figure for 2016.

Consob resolution no. 11971 of 14 May 1999

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

- ART. 79 - TABLE 2 - INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS AT 30 June 2017							
ame and Last Nam	Investment held in	Number of shares held at the end of the prior year	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares held at 30-June-17	Type of holding	Type of ownership
Mussini Giuliano	Panariagroup	393,039			393,039	Direct	Property
		4,400			4,400	Spouse	Property
Mussini Andrea	Panariagroup	611,413		84,394	527,019	Direct	Property
Pini Giuliano	Panariagroup	97,802			97,802	Direct	Property
		7,880	3,000		10,880	Spouse	Property
Mussini Emilio	Panariagroup	129,436			129,436	Direct	Property
		13,080			13,080	Spouse	Property
Mussini Paolo	Panariagroup	1,000			1,000	Direct	Property
Mussini Silvia	Panariagroup	21,900			21,900	Direct	Property
Prodi Daniele	Panariagroup	29,500			29,500	Direct	Property
Bonfiglioli Sonia	Panariagroup	-			-		
Ferrari Tiziana	Panariagroup	-			-		
Bazoli Francesca	Panariagroup	-			-		
Marchese Sergio	Panariagroup	-			-		
Ascari Pier Giovanni	Panariagroup	-			-		
Muserra Francesca	Panariagroup	-			-		
Total		**1,309,450**	**3,000**	**84,394**	**1,228,056**		

Warnings

The half-yearly consolidated financial statements to 30 June 2017 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 2016, with the exception of those international accounting standards which entered into effect as at 01 January 2017 and which are illustrated in the section of the financial statements named "Accounting standards, amendments and interpretations applicable as at 01 January 2017"; 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 30 June 2017 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).

Performance measures

Explanatory notes and directors' report, include some performance indicators in order to present a better evaluation of financial and economic performance of the Group.

As regards those indicators, on December 3, 2015, CONSOB issued Communication no. 92543/15, which gives force to the Guidelines issued on October 5, 2015, by the European Securities and Markets Authority (ESMA) concerning the presentation of alternative performance measures in regulated information disclosed or prospectuses published as from July 3, 2016. These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility.
Accordingly, in line with the regulations cited above, the criteria used to construct these indicators are as follows:

- 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.
- Net Working capital: this is made up of the inventory, account receivable, other current assets, net of account payables and other current liabilities.
- Net Financial Position: this is made up of cash and financial credit, net of bank short and medium-long terms financial debts and leasing.

ATTACHMENTS

- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as of 30 June 2017
- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as of 31 December 2016
- Reconciliation between the summary of cash flows and the IFRS-format cash flow statement

The Chairman

Sassuolo 4th August 2017 ***Mussini Emilio***

PANARIAgroup INDUSTRIE CERAMICHE S.P.A.

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
Figures at 30 June 2017

STATEMENT OF FINANCIAL POSITION - IFRS

ATTIVO	30 June 2017	RIF
NON-CURRENT ASSETS	**172,050**	
Goodwill	8,139	ANC1
Intangible assets	14,251	ANC2
Property, plant and equipment	117,432	ANC3
Equity Investments	48	ANC4
Deferred tax assets	11,223	ANC5
Other non-current assets	653	ANC6
Non-current Financial Assets	20,304	ANC7
CURRENT ASSETS	**263,869**	
Inventories	145,945	AC1
Trade Receivables	97,389	AC2
Due from tax authorities	6,009	AC3
Other current assets	6,067	AC4
Current Financial Assets	1,186	AC5
Cash and cash equivalents	7,273	AC6
TOTAL ASSETS	**435,919**	

LIABILITIES AND EQUITY	30 June 2017	RIF
EQUITY	**173,654**	PN
Share capital	22,678	
Reserves	141,396	
Net profit (loss) for the year	9,580	
NON-CURRENT LIABILITIES	**103,210**	
Employee severance indemnities	5,794	PNC1
Deferred tax liabilities	8,230	PNC2
Provisions for risks and charges	4,951	PNC3
Other non-current liabilities	2,473	PNC4
Due to banks	58,429	PNC5
Due to other sources of finance	23,333	PNC6
CURRENT LIABILITIES	**159,055**	
Due to suppliers	84,907	PC1
Due to tax authorities	3,791	PC2
Other current liabilities	28,024	PC3
Due to banks	40,332	PC4
Due to other sources of finance	2,001	PC5
TOTAL LIABILITIES AND EQUITY	**435,919**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	30 June 2017	RIF
Inventories	145,945	AC1
Trade Receivable	97,389	AC2
Other current assets	12,076	AC3+AC4+AC5-(*)
CURRENT ASSETS	**255,410**	
Due to suppliers	(84,907)	PC1
Other current liabilities	(31,815)	PC2+PC3
CURRENT LIABILITIES	**(116,722)**	
NET WORKING CAPITAL	**138,688**	
Goodwill	8,139	ANC1
Intangible assets	14,251	ANC2
Property, plant and equipment	117,432	ANC3
Equity Investments	48	ANC4+ANC7 - (**)
FIXED ASSETS	**139,870**	
Receivables due beyond 12 months	653	ANC6
Employee severance indemnities	(5,794)	PNC1
Provision for risk and charge	(4,951)	PNC3
Provision for deferred taxes	2,993	ANC5+PNC2
Other liabilities due beyond 12 months	(2,473)	PNC4
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**(9,572)**	
NET CAPITAL EMPLOYED	**268,986**	
Short term financial assets	(7,273)	AC6
Short term financial indebtedness	41,147	PC4+PC5 - (*)
NET SHORT TERM FINACIAL INDEBTEDNESS	**33,874**	
Mid-Long term financial debt	61,458	PNC5+PNC6 - (**)
NET MID-LONG TERM FINACIAL INDEBTEDNESS	**61,458**	
NET FINANCIAL POSITION	**95,332**	
Group Shareholders' Equity	173,654	PN
SHAREHOLDERS' EQUITY	**173,654**	
TOTAL SOURCES OF FOUNDS	**268,986**	

(*) CURRENT PORTION OF IRB **1,186**
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 **20,304**
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 2016

STATEMENT OF FINANCIAL POSITION - IFRS

ATTIVO	31 Dec 2016	RIF
NON-CURRENT ASSETS	179,739	
Goodwill	8,139	ANC1
Intangible assets	13,967	ANC2
Property, plant and equipment	119,595	ANC3
Equity Investments	82	ANC4
Deferred tax assets	14,394	ANC5
Other non-current assets	777	ANC6
Non-current Financial Assets	22,785	ANC7
CURRENT ASSETS	252,013	
Inventories	140,173	AC1
Trade Receivables	79,903	AC2
Due from tax authorities	8,020	AC3
Other current assets	5,637	AC4
Current Financial Assets	1,285	AC5
Cash and cash equivalents	16,995	AC6
TOTAL ASSETS	431,752	

LIABILITIES AND EQUITY	31 Dec 2016	RIF
EQUITY	172,218	PN
Share capital	22,678	
Reserves	138,325	
Net profit (loss) for the year	11,215	
NON-CURRENT LIABILITIES	110,000	
Employee severance indemnities	5,913	PNC1
Deferred tax liabilities	8,989	PNC2
Provisions for risks and charges	4,725	PNC3
Other non-current liabilities	3,386	PNC4
Due to banks	60,694	PNC5
Due to other sources of finance	26,293	PNC6
CURRENT LIABILITIES	149,534	
Due to suppliers	83,647	PC1
Due to tax authorities	3,320	PC2
Other current liabilities	24,777	PC3
Due to banks	35,808	PC4
Due to other sources of finance	1,982	PC5
TOTAL LIABILITIES AND EQUITY	431,752	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31 Dec 2016	RIF
Inventories	140,173	AC1
Trade Receivable	79,903	AC2
Other current assets	13,657	AC3+AC4+AC5-(*)
CURRENT ASSETS	233,733	
Due to suppliers	(83,647)	PC1
Other current liabilities	(28,097)	PC2+PC3
CURRENT LIABILITIES	(111,744)	
NET WORKING CAPITAL	121,989	
Goodwill	8,139	ANC1
Intangible assets	13,967	ANC2
Property, plant and equipment	119,595	ANC3
Equity Investments	82	ANC4+ANC7 - (**)
FIXED ASSETS	141,783	
Receivables due beyond 12 months	777	ANC6
Employee severance indemnities	(5,913)	PNC1
Provision for risk and charge	(4,725)	PNC3
Provision for deferred taxes	5,405	ANC5+PNC2
Other liabilities due beyond 12 months	(3,386)	PNC4
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	(7,842)	
NET CAPITAL EMPLOYED	255,930	
Short term financial assets	(16,995)	AC6
Short term financial indebtedness	36,505	PC4+PC5 - (*)
NET SHORT TERM FINACIAL INDEBTEDNESS	19,510	
Mid-Long term financial debt	64,202	PNC5+PNC6 - (**)
NET MID-LONG TERM FINACIAL INDEBTEDNESS	64,202	
NET FINANCIAL POSITION	83,712	
Group Shareholders' Equity	172,218	PN
SHAREHOLDERS' EQUITY	172,218	
TOTAL SOURCES OF FOUNDS	255,930	

(*) CURRENT PORTION OF IRB **1,285**

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 **22,785**

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 CASH FLOW STATEMENT

Foreword:

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

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

NET FINANCIAL POSITION
(THOUSANDS OF EURO)

	30 June 2017	
Cash	(230)	
Other Cash and cash equivalents	(7,043)	
Securities held for sale	0	
Liquidity	**(7,273)**	**(*)**
Short-term financial assets	**(1,186)**	
Due to banks	19,359	
Current portion of long-term loans	20,973	
Other short-term financial debt	2,001	
Short-term financial indebtedness	**42,333**	
Net short-term financial indebtness	**33,874**	
Non-current portion of long-term loans	58,429	
Due to bondholders	0	
Other long-term financial debt	23,333	
Long-term financial indebtedness	**81,762**	
Long-term financial assets	**(20,304)**	
Net financial indebtness	**95,332**	**(**)**

Cash and cash equivalents	**(7,273)**	**(*)**
(Subject of the IFRS Cash Flow Statement)		
Total net financial position	**95,332**	**(**)**
(Subject of the financial cash flows as per Directors Report)		

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

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

(Thousands of Euro))	**30 June 2017**	
A - OPERATIONS		
Profit (loss) of the year	9,580	**A**
Depreciation and amortisation	10,614	**B**
Losses (gains) on assets disposal	(49)	**C**
Deferred tax liabilities (assets)	2,563	**D**
Non-monetary change in provisions for employee severance indemnities	149	**E**
Net change in provisions	298	**F**
Tax effect on elimination of intercompany exchange rates	64	**G**
Revaluation and writedown of equity investments	28	**H**
Cash flow (absorption) from operations prior to changes in working capital	*23,247*	
(Increase)/(decrease) in trade receivables	(19,093)	
(Increase)/(decrease) in inventories	(9,542)	
(Increase)/(decrease) in trade payables	4,382	
Employee severance indemnities disbursement	(268)	
Net change in other assets/liabilities	4,661	
Cash flow (absorption)from operations due to changes in working capital	*(19,860)*	**I**
Total (A) Cash flow from operations	**3,387**	
B - INVESTMENT ACTIVITY		
Net investment in tangible and intangible assets	(12,572)	**J**
Net investment in financial assets	-	**K**
Exchange differences on tangible and intangible assets	99	**L**
Total (B) Cash Flow (absorption) from investment activities	**(12,473)**	
C - FINANCING ACTIVITY		
Increase in capital	-	
Distribution of dividends	(3,145)	**M**
Non- monetary changes recorded in equity	85	**N**
Net change on financial liabilities (net of New Loans/Loans repayments)	5,205	
New Loans	10,000	
Loan repayments	(13,307)	
Total (C) Cash Flow (absorption) from financing activities	**(1,162)**	
Opening net cash (indebtedness)	**16,995**	
Change in the translation reserve	**526**	**O**
Net change in short-term net cash (indebtedness) (A+B+C)	**(10,248)**	
Closing net cash (indebtedness)	**7,273**	**(*)**

Financial cash flow
(thousands euro)

	30/06/17	
Net financial position (debt) - beginning	**(83,712)**	
Net Result for the period	9,580	**A**
D & A	10,614	**B**
Net Variation Provisions	3,010	**D+E+F**
Non monetary changes	128	**C+G+H+N**
Internal operating Cash flow	**23,332**	
Change in net working capital and other assets and liabilities	(19,860)	**I**
Dividends	(3,145)	**M**
Net Investments	(12,473)	**J+K+L**
Exchange rate diff. from US$ financial statement conversions	526	**O**
Net financial position (debt) - final	**(95,332)**	**(**)**

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