



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Financial Report as of 30th September 2014

- Net Revenues amounted to 218.1 million Euros (+4.9 % on 30th September 2013)
- Gross operating profit amounted to 14.7 million Euros (10.4 million Euros on 30th September 2013)
- Consolidated net loss of the period was 2.0 million Euros.

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A. Group specialized in production and distribution of high-end and luxury ceramic material for floor and wall, approved today the Consolidated Financial Report as of 30th September 2014, in accordance with the International Financial Reporting Standard (IFRS).

In the third quarter of 2014, the Panariagroup achieved sales growth in excess of 8% compared to the same period of the previous year, bringing the total increase for 2014 with respect to 2013 to 4.9%.

Alongside revenue growth we have also seen a significant recovery in profitability, with the Net Operating Profit improving by Euro 6.0 million in the third quarter compared to the same period of 2013. Compared to the first nine months of last year, the Net Operating Profit has improved by Euro 4.1 million, which has enabled us to once again experience positive profitability in line with the expectations for improvement set forth in the Half-Yearly Report.

The recovery in margins has also been accompanied by a positive financial position and balance sheet, with further improvement in the Net Financial Position, which amounts to Euro 83.0 million, as well as an improvement in Net Working Capital.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	30/9/2014	30/9/2013	var. €
Revenues from sales and services	218,062	207,887	10,175
Value of production	217,487	204,408	13,079
Gross operating profit	14,666	10,363	4,303
Net operating profit	661	(3,481)	4,142
Consolidated net profit (loss)	(1,983)	(5,180)	3,197

“The Third Quarter results – said Emilio Mussini, Chairman of Panariagroup – confirmed our expectations, with an important recover in profitability, in the full respect of the financial and patrimonial balance obtained with last 2 years policies”.

“The positive trend of the last months in some of the main European markets, together with the increasing weight of our presence in the most dynamic extra-European areas – continued Mussini – give us confidence to maintain in the middle term good growth perspectives”.



REVENUES

Revenues from sales reported an increase of 4.9% passing from Euro 207.9 million as of 30th September 2013 to Euro 218.1 million as of 30th September 2014 (Euro +10.2 million).

With the exception of the Italian market, which continues to decline, all other areas have reported positive results, albeit to varying extents.

USA – Growth of the market in the USA, the most important country for the Group, has been confirmed with an increase in USD of around 13%. This represents a further improvement over the half-yearly figure.

The distribution channel of the Florida Tile stores once again had positive performance in the third quarter. The two new sales outlets continued to operate in the course of 2014, and an additional store will be opened by the end of the year.

Outlooks in the US market remain positive for the coming year, particularly for those businesses, such as that of our Group, which have an in-country manufacturing and sales organisation to support a high level of competitiveness.

The US market's share of total sales comes to 33%.

EUROPE – After a slight downturn in the first quarter, the performance of the European markets gradually improved in the two subsequent quarters (+7% in the second quarter and +9% in the third quarter), bringing overall growth during the 9-month period to 5% compared to 2013.

The most significant result in Europe is certainly to be attributed to Portugal, where the Group is one of the primary players due to the local presence of Gres Panaria Portugal. After years of considerable decline, a solid growth has been achieved in that market.

European markets account for 33% of total sales.

ITALY – The Italian market continues to show a reduction in revenues, which came to roughly 5% at the end of September. The Group's performance for the quarter is in line with the sector figure reported in the recent report of Confindustria Ceramica. The negative sales trend for companies operating in the ceramics sector is closely linked to the continuation of the construction sector crisis. No evidence has been seen of recovery in the short term.

The Italian market's share of total sales comes to 22%.

ASIA. SOUTH AMERICA, CANADA OCEANIA and AFRICA – Very positive results were achieved in other markets, with total growth of around 20% due to the Group's significant commitment to commercial development in these areas, which are deemed to have the greatest growth potential.

The Group is gradually consolidating its presence in these areas, which is accompanied by the increasing reliability of its commercial partners.

Other markets account for 12% of total sales.

The current breakdown of revenues by geographical areas shows that non-European markets account for 45%, confirming the Group's strategy of increasing its level of internationalisation in order to diversify risk and boost its ability to compete in all potential markets.

This is the result of a constant progression which led the incidence of these areas with respect to Group revenues to increase from 26% at the end of 2009 to the current 45%.



FINANCIAL RESULTS

The gross operating profit amounted to Euro 14.7 million representing 6.7% of the Value of Production (Euro 10.4 million as of 30 September 2013, or 5.1% of the Value of Production), an improvement of Euro 4.3 million.

After the first quarter of 2014 in which margins decreased by Euro 2.3 million compared to 2013, there was a sharp trend reversal in the second and third quarters (Euro +0.8 million and Euro +5.5 million).

In the first 9 months of 2014, we were able to count on the positive results of the US and Portuguese business units, associated with greater exploitation of the Italian Business Unit's production capacity.

The US Business Unit, which had already achieved positive income in 2013, has experienced further improvement in profitability driven by an additional increase in sales, particularly in the last quarter.

The Portuguese Business Unit, which had unsatisfactory revenues and margins last year, was able to recover in 2014. Revenue growth, production and logistical department rationalisation and the resulting lower production costs have already contributed to a positive turnaround this year.

The Italian Business Unit has been able to take greater advantage of its production capacity also as a result of the greater volumes of sales made through Panariagroup Trade and toll manufacturing, which has significantly lowered fixed costs.

It has to be noted that, the result of Third Quarter is burdened by costs related to Cersaie fair (more than 1 million Euros), entirely accounted in September, as the previous years.

The net operating profit came to Euro 0.7 million (loss of Euro 3.5 million at 30 September 2013).

The Consolidated Net Result is a loss of Euro 2.0 million, primarily due to the negative trends of the first quarter of 2014, while the group basically broke even in the second and third quarters.

NET FINANCIAL POSITION

Net Financial Indebtedness has dropped by Euro 2.9 million compared to 30 June 2014 and by Euro 9.7 million in the last 12 months.

This improvement compared to the start of the year was achieved thanks to the reduction in Net Working Capital as well as the benefits of increasing operating margins.

We continue to dedicate particular attention to Financial Indebtedness, as we believe that it should be one of the top priorities of a healthy and vital business.

SHAREHOLDERS' EQUITY

The Equity is 145.6 million Euros, increased by 3.9 million Euros in respect with 30th June 2014.

The growth is due to the relevant variation of the exchange rate Eur/Usd occurred in the last quarter, that has determined a higher value in Euros of the Equity off the US Controlled Companies of the Group, whose Financial Statements are originally expressed in US Dollar.



OPERATIONAL OUTLOOK FOR THE GROUP

The goal to be pursued by the Group is to further increase profitability through revenue growth. Therefore, we believe that it is important to take advantage of signs of recovery that we have seen in the markets in which we operate through particularly effective commercial actions and the repositioning of the product range in step with the evolution of distribution channels in the various markets.

We expect these activities to bring benefits particularly in relation to volumes marketed, as we aim to fill the remaining gaps to reach full production capacity, which would lead to further improvement in profitability and competitiveness.

Over the last few months the Italian business unit has undergone significant reorganisation and efficiency enhancement in various business areas, and other rationalisation activities are currently being implemented. The completed initiatives will begin to have positive effects on income beginning in 2015.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Damiano Quarta, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Attachments: Consolidated Balance Sheet, Consolidated Profit & Loss account

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Income Statement: Comparison between 30 September 2014 and 30 September 2013
(in thousands of Euro)

	September 30, 2014		September 30, 2013		var.
		%		%	
Revenues from sales and services	218,062	100.26%	207,887	101.70%	10,175
Change in inventories of finished products	(7,995)	-3.68%	(9,200)	-4.50%	1,205
Other revenues	7,420	3.41%	5,721	2.80%	1,699
Value of Production	217,487	100.00%	204,408	100.00%	13,079
Raw, ancillary and consumable materials	(58,968)	-27.11%	(55,857)	-27.33%	(3,111)
Services, leases and rentals	(86,760)	-39.89%	(82,376)	-40.30%	(4,384)
Personnel costs	(55,155)	-25.36%	(53,413)	-26.13%	(1,742)
Changes in inventories of raw materials	262	0.12%	(333)	-0.16%	595
Other operating expenses	(2,200)	-1.01%	(2,066)	-1.01%	(134)
Cost of production	(202,821)	-93.26%	(194,045)	-94.93%	(8,776)
Gross operating profit	14,666	6.74%	10,363	5.07%	4,303
D&A expenses	(12,238)	-5.63%	(12,757)	-6.24%	519
Provisions and other impairments	(1,767)	-0.81%	(1,087)	-0.53%	(680)
Net operating profit	661	0.30%	(3,481)	-1.70%	4,142
Financial income and expense	(1,901)	-0.87%	(2,655)	-1.30%	754
Pre-tax profit	(1,240)	-0.57%	(6,136)	-3.00%	4,896
Income taxes estimated	(743)	-0.34%	956	0.47%	(1,699)
Net profit (loss) for the period	(1,983)	-0.91%	(5,180)	-2.53%	3,197



Income Statement: comparison between Third Quarters 2014 and 2013

(in thousands of Euro)

	3rd Quarter 2014		3rd Quarter 2013		var.
		%		%	
Revenues from sales and services	72.057	98,37%	66.486	112,80%	5.571
Change in inventories of finished products	(1.528)	-2,09%	(9.564)	-16,23%	8.036
Other revenues	2.719	3,71%	2.019	3,43%	700
Value of Production	73.248	100,00%	58.941	100,00%	14.307
Raw, ancillary and consumable materials	(19.600)	-26,76%	(16.622)	-28,20%	(2.978)
Services, leases and rentals	(29.805)	-40,69%	(25.316)	-42,95%	(4.489)
Personnel costs	(17.723)	-24,20%	(16.343)	-27,73%	(1.380)
Changes in inventories of raw materials	(142)	-0,19%	(307)	-0,52%	165
Other operating expenses	(747)	-1,02%	(908)	-1,54%	161
Cost of production	(68.017)	-92,86%	(59.496)	-100,94%	(8.521)
Gross operating profit	5.231	7,14%	(555)	-0,94%	5.786
D&A expenses	(4.259)	-5,81%	(4.307)	-7,31%	48
Provisions and other impairments	(97)	-0,13%	(232)	-0,39%	135
Net operating profit	875	1,19%	(5.094)	-8,64%	5.969
Financial income and expense	(385)	-0,53%	(1.071)	-1,82%	686
Pre-tax profit	490	0,67%	(6.165)	-10,46%	6.655
Income taxes estimated	(601)	-0,82%	1.848	3,14%	(2.449)
Net profit (loss) for the period	(111)	-0,15%	(4.317)	-7,32%	4.206



Income statement at 30/9/2014 broken down by Quarters

(in thousands of Euro)

	September 30, 2014		1st Quarter 2014		2nd Quarter 2014		3rd Quarter 2014	
		%		%		%		%
Revenues from sales and services	218.062	100,26%	67.945	100,61%	78.060	101,77%	72.057	98,37%
Change in inventories of finished products	(7.995)	-3,68%	(3.034)	-4,49%	(3.433)	-4,48%	(1.528)	-2,09%
Other revenues	7.420	3,41%	2.625	3,89%	2.076	2,71%	2.719	3,71%
Value of Production	217.487	100,00%	67.536	100,00%	76.703	100,00%	73.248	100,00%
Raw, ancillary and consumable materials	(58.968)	-27,11%	(18.145)	-26,87%	(21.223)	-27,67%	(19.600)	-26,76%
Services, leases and rentals	(86.760)	-39,89%	(27.283)	-40,40%	(29.672)	-38,68%	(29.805)	-40,69%
Personnel costs	(55.155)	-25,36%	(18.591)	-27,53%	(18.841)	-24,56%	(17.723)	-24,20%
Changes in inventories of raw materials	262	0,12%	(30)	-0,04%	434	0,57%	(142)	-0,19%
Other operating expenses	(2.200)	-1,01%	(691)	-1,02%	(762)	-0,99%	(747)	-1,02%
Cost of production	(202.821)	-93,26%	(64.740)	-95,86%	(70.064)	-91,34%	(68.017)	-92,86%
Gross operating profit	14.666	6,74%	2.796	4,14%	6.639	8,66%	5.231	7,14%
D&A expenses	(12.238)	-5,63%	(3.890)	-5,76%	(4.089)	-5,33%	(4.259)	-5,81%
Provisions and other impairments	(1.767)	-0,81%	(221)	-0,33%	(1.449)	-1,89%	(97)	-0,13%
Net operating profit	661	0,30%	(1.315)	-1,95%	1.101	1,44%	875	1,19%
Financial income and expense	(1.901)	-0,87%	(797)	-1,18%	(719)	-0,94%	(385)	-0,53%
Pre-tax profit	(1.240)	-0,57%	(2.112)	-3,13%	382	0,50%	490	0,67%
Income taxes estimated	(743)	-0,34%	402	0,60%	(544)	-0,71%	(601)	-0,82%
Net profit (loss) for the period	(1.983)	-0,91%	(1.710)	-2,53%	(162)	-0,21%	(111)	-0,15%



CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013
Inventories	122,818	121,688	128,274	133,171
Accounts Receivable	74,374	78,988	66,510	71,961
Other current assets	8,999	8,686	10,028	8,765
CURRENT ASSETS	206,191	209,362	204,812	213,897
Account Payables	(55,036)	(57,067)	(50,655)	(48,709)
Other current liabilities	(27,059)	(27,488)	(23,670)	(25,020)
CURRENT LIABILITIES	(82,095)	(84,555)	(74,325)	(73,729)
NET WORKING CAPITAL	124,096	124,807	130,487	140,168
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	2,098	2,063	2,149	2,224
Tangible assets	90,234	88,500	90,358	89,413
Equity Investments and other financial assets	458	357	358	475
FIXED ASSETS	100,929	99,059	101,004	100,251
Receivables due after following year	1,076	956	952	711
Provision for termination benefits	(6,102)	(6,073)	(6,101)	(6,306)
Provision for risk and charge	(4,128)	(4,158)	(3,994)	(3,945)
Deferred tax assets	14,090	14,149	13,589	11,079
Other payables due after the year	(1,335)	(1,155)	(1,925)	(2,213)
ASSET AND LIABILITIES DUE AFTER THE YEAR	3,601	3,719	2,521	(674)
NET CAPITAL EMPLOYED	228,626	227,585	234,012	239,745
Short term financial assets	(2,871)	(6,822)	(9,973)	(10,610)
Short term financial debt	40,666	44,569	44,931	47,772
NET SHORT TERM FINANCIAL DEBT	37,795	37,747	34,958	37,162
Mid-Long term financial debt	45,214	48,106	55,894	55,568
NET FINANCIAL POSITION	83,009	85,853	90,852	92,730
Group Shareholder's Equity	145,617	141,732	143,160	147,015
SHAREHOLDERS' EQUITY	145,617	141,732	143,160	147,015
TOTAL SOURCES OF FUNDS	228,626	227,585	234,012	239,745