

## **PRESS RELEASE**

**PANARIAGROUP S.p.A. acquires the entire share capital of Novagres S.A., a portuguese company leader in manufacturing and distributing floor and wall ceramic tiles.**

**Equity value of the deal: 40 million Euro.**

**Following the acquisition, Panariagroup becomes the most important player in the portuguese tile market, in which it operates through the Margres and Novagres brands.**

Finale Emilia (Modena), November 30<sup>th</sup> 2005 – Panariagroup closed today the acquisition of 100% of Novagres S.A., a portuguese company leader in manufacturing and distributing floor and wall ceramic tiles.

The agreement has been reached with the family of Eng. Celso Bernardo de Albuquerque, founder of the company.

Novagres, based in Aveiro and incorporated in 1990, today is a well known and fast growing company, with high quality standards and strong financial results.

In 2004 Novagres reached a turnover of 33.5 million Euro, while Ebitda amounted to 8.4 million Euro and net earnings were equal to 3.4 million Euro.

For the current financial year Novagres expects a confirmation of the excellent 2004 results. In fact, in the first half of 2005, the company achieved a net sale increase of approximately 8% over the results it recorded in the same period of the previous year.

The share purchase price is 40 million Euro. The deal financing requirements will be met by deploying part of the proceeds Panariagroup received from its IPO in November 2004.

Assuming a net financial position of 3 million Euro as of 30<sup>th</sup> June 2005, the implied Enterprise Value (EV) of the deal can be estimated at 43 million Euro.

Novagres' key financial figures for the years 2003 and 2004 are shown in the following table:

<b>Value in million Euro</b>	<b>dic-03</b>	<b>%</b>	<b>dic-04</b>	<b>%</b>
Sales	<b>29.266</b>	100.0%	<b>33.480</b>	100.0%
Ebitda	<b>7.459</b>	25.5%	<b>8.412</b>	25.1%
Ebit	<b>4.562</b>	15.6%	<b>5.787</b>	17.3%
Net profit	<b>2.366</b>	8.1%	<b>3.402</b>	10.2%
Net financial position	<b>-7.649</b>		<b>-3.494</b>	
Net equity	<b>15.890</b>		<b>19.292</b>	

The table hereinafter shows some selected implied transactions multiples (based on 2004 P&L of Novagres):

<b>Multiples</b>	
Enterprise Value / Sales	<b>1.3</b>
Enterprise Value / Ebitda	<b>5.1</b>
Enterprise Value / Ebit	<b>7.4</b>
Equity Value / Net profit	<b>11.8</b>

Novagres' acquisition should be regarded in relation to the broader strategy of Panariagroup, which aims to strengthen its own presence in portuguese market and in other important European markets.

Novagres' know how in wall ceramic tiles allows Panariagroup to enlarge its product range thereby better responding to the growing market demand in this segment.

Being based in the same district, Novagres and Margres will be able to exploit cost synergies that will be beneficial to both of the companies.

By carrying out the Novagres acquisition, Panariagroup becomes the leading player in the portuguese tile market, where it operates with the Margres and Novagres brands. Portugal is a strategically important core market. In fact such market presents the highest per capita consumption of ceramic products in Europe. The deal allows Panariagroup to further reinforce its prestige and leadership in this important market.

“This acquisition has a strategic relevance for our Group – states Giuliano Mussini, Chairman of Panariagroup – because it allows us to strengthen our international presence, both in Portugal and in Europe as a whole”.

“Panariagroup's prestige and already achieved results in the portuguese market, together with the high awareness provided by the stock market listing – continues Mr. Mussini – have been a decisive factor for the sellers, in order to ensure the continuity of the strong financial results obtained by Novagres so far”

“Novagres acquisition – Mr. Mussini points out– is consistent with the strategic plan presented at Panariagroup IPO and partially uses the IPO proceeds”

Vita Samory, Fabbrini & Associati and Raimondi & Associati advised Panariagroup in the carrying out of Novagres deal.

After the completion of the acquisition, Panariagroup, with 5 production plants, 6 commercial brands and 1.400 employees, strengthens its organization and capabilities in manufacturing and distributing floor and wall ceramic tiles for the high-end and deluxe market segment.

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