



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approve the consolidated quarterly report as of September 30th 2009.

- Net Revenues amounted to 214.2 millions Euros.
- Gross operating profit amounted to 15.8 millions 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 Financial Report as of September 30th 2009, in accordance with the International Financial Reporting Standard (IFRS).

The economic results at 30th September 2009 show a reduction of the sales volume and consequently of the profitability, mainly for the persistence of the recession, that invested the world economy and particularly the real estate industry.

The drop in the volume sold by the Group is lower than the average reduction suffered by the Italian Tiles industry, estimated over 25%.

MAIN ECONOMIC INDICATORS

(thousands Euros)

Natura	30/09/2009	30/09/2008	var. €
Revenues from sales and services	214,235	253,355	(39,120)
Value of production	201,166	265,940	(64,774)
Gross operating profit	15,815	31,326	(15,511)
Net operating profit	0,412	16,598	(16,186)
Consolidated net profit (loss)	(5,275)	7,972	(13,247)

“In the first 9 months of 2009, the management – said Emilio Mussini, Chairman of Panariagroup – engaged successful actions of cost reduction that, associated with the advantages coming from the fall of the cost of some significant factors, such as raw materials and energy, allowed to maintain the profitability in line with the expectations”.

“Even aware of the difficult current situation that is hitting our industry – continued Mussini - we are sure to represent, in term of solidity, one of the main players able to adapt itself to the changed global economic conditions and to take advantage immediately from the first signs of economic upturn. “.

REVENUES

The **Net sales** reported a fall of **15.4%** going from 253.3 million Euros as of September 30th 2008 down to 214.2 million Euros as of September 30th 2009 (- 39.1 million Euros).

The three principal referential markets for Panariagroup are the Italian, the European and the US one.



ITALY – The Italian market with a quote of 30% on the gross turnover, is progressively improving the results of the previous quarters, recording a decrease of about 10.4 million Euros if compared with September 2008 (-13.5%).

EUROPE – The quote of the European markets on the consolidated turnover is around 44%. The trend of sales in this markets is in line with the previous quarters, showing a decrease of about 23.1 million Euros in respect with last year.

USA – The quote of the US market on the consolidated turnover is around 19%. In this area the Group suffered a decrease in Euros of about 13.5%, in line with the previous quarters. It has to be remarked that the average drop in turnover of the Italian Ceramic Industry is estimated over 30%.

ECONOMIC RESULTS

The Gross operating profit is 15.8 million Euros, which represents 7.9% of the Value of Production.

Analyzing the single Quarters of 2009, we highlight the gradual improvement of the profitability, due to the corrective actions operated during the first 9 months: the third Quarter, with a Gross Operating Profit of 9,6% is the best of the year.

The effectiveness of the Third Quarter results is also more evident if we compare it with the Third Quarter of 2008: the level of the Gross Operating Profit is higher in % even with a significant lower activity in production and sales.

The factors that mainly contributed to reduce the margins are:

- The considerable contraction of the turnover, generated a reduction in the Gross Operating Margin estimated in about 13.5 million Euros. The drop in sales is due to a volume-effect, while the Group was able to maintain the prices on the same levels of 2008;
- The decrease in volume of production higher than the drop of the volumes sold, in agreement with the policy of reduction of the level of the stocks, has determined a penalization estimated in about 3 million Euros; the lower production allowed the saving of the variable costs, but at the same time caused an higher incidence of the fixed costs on the Value of Production.
- Thanks to the reduction in the oil price, the Group realized a saving on the energy costs and on the freight costs on the raw materials purchases; this benefit is estimated of more than 2 million Euros

The **Net operating profit** is 0.4 million Euros.

CONSOLIDATED NET LOSS

The Consolidated Net Loss amount to about 5.3 million Euros

NET FINANCIAL POSITION

The Net Financial Position reported an improvement from the beginning of the year of about 5.3 million Euros and a more marked positive variation of 11.2 million Euros, if compared with June 2009.



SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounts to 145.6 millions Euros as of September 30th 2009 compared to 147.5 millions Euros as of June 30th 2009.

OPERATIONAL OUTLOOK FOR THE GROUP

On the international markets, it persists a climate of uncertainty, even if many optimistic views foresaw in the last months a forthcoming inversion of the negative economic trend.

In this context, the Group will continue to pursue our policies of rationalization of the costs, consolidation of the market share and reinforcement of the patrimonial structure of the Group.

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: Annual and Consolidated Balance Sheet and Profit & Loss account

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	30/9/2009	30/6/2009	31/12/2008
Inventories	132,891	139,480	153,284
Accounts Receivable	92,397	103,070	96,197
Other current assets	5,443	5,937	6,769
CURRENT ASSETS	230,731	248,487	256,250
Accounts Payables	(54,993)	(56,837)	(65,078)
Other current liabilities	(31,120)	(32,509)	(32,642)
CURRENT LIABILITIES	(86,113)	(89,346)	(97,720)
NET WORKING CAPITAL	144,618	159,141	158,530
Goodwill	12,989	12,989	12,989
Intangible assets	3,485	3,783	3,757
Tangible assets	96,576	95,733	96,944
Equity Investments and other financial fixed assets	0,004	0,004	0,010
FIXED ASSETS	113,054	112,509	113,700
Receivables due after the following year	0,289	0,282	0,254
Provisions for termination benefits	(6,691)	(6,678)	(6,883)
Provisions for risks and charge and deferred taxes	(10,844)	(11,101)	(10,415)
Other payables due after the year	(1,048)	(1,712)	(2,573)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	(18,294)	(19,209)	(19,617)
NET CAPITAL EMPLOYED	239,378	252,441	252,613

Short term financial assets	(3,777)	(3,707)	(3,690)
Short term financial debt	43,520	54,423	78,288
NET SHORT TERM FINANCIAL DEBT	39,743	50,716	74,598
Mid-long term financial debt	54,042	54,233	24,530
NET FINANCIAL POSITION	93,785	104,949	99,128
Group Shareholders' Equity	145,593	147,492	153,485
SHAREHOLDERS' EQUITY	145,593	147,492	153,485
TOTAL SOURCES OF FUNDS	239,378	252,441	252,613



CUMULATED	30/9/2009	%	30/9/2008	%	var.
Revenues from sales and services	214,235	106,50%	253,355	95,27%	(39,120)
Changes in inventories of finished products	(17,103)	-8,50%	8,903	3,35%	(26,006)
Other revenues	4,034	2,01%	3,682	1,38%	0,352
Value of Production	201,166	100,00%	265,940	100,00%	(64,774)
Raw, ancillary and consumable materials	(53,411)	-26,55%	(74,617)	-28,06%	21,206
Services, leases and rentals	(79,127)	-39,33%	(103,778)	-39,02%	24,651
Personnel costs	(50,849)	-25,28%	(53,868)	-20,26%	3,019
Changes in inventories of raw materials	0,124	0,06%	0,213	0,08%	(0,089)
Other operating expenses	(2,088)	-1,04%	(2,564)	-0,96%	0,476
Cost of production	(185,351)	-92,14%	(234,614)	-88,22%	49,263
Gross operating profit	15,815	7,86%	31,326	11,78%	(15,511)
D&A expenses	(12,587)	-6,26%	(12,925)	-4,86%	0,338
Provisions and impairments	(2,016)	-1,00%	(1,803)	-0,68%	(0,213)
Non-recurring Provisions	(0,800)	-0,40%	0,000	0,00%	(0,800)
Net operating profit	0,412	0,20%	16,598	6,24%	(16,186)
Financial income and expense	(4,272)	-2,12%	(4,183)	-1,57%	(0,089)
Pre-tax profit	(3,860)	-1,92%	12,415	4,67%	(16,275)
Income taxes	(1,415)	-0,70%	(4,443)	-1,67%	3,028
Net profit for the period	(5,275)	-2,62%	7,972	3,00%	(13,247)
Cash Flow	10,128	5,03%	22,700	8,54%	(12,572)