



**PRESS RELEASE**

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the 2009 Draft Annual Report

- Net Revenues amounted to 284.5 million Euros.
- Gross operating profit amounted to 21.1 million Euros.
- Consolidated result amounted to -4.6 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 2009 Draft Annual Report, in accordance with the International Financial Reporting Standard (IFRS).

The year 2009 has been influenced by the deep economic crisis of the world economy and in particular of the Real Estate industry, that was characterized by a significant decrease on the European markets, slight increases in the emerging countries and a further reduction, even if more mitigated than in the past, on the US market.

In this context, the Group activated policies for the reduction of costs, of the net working capital and of the net financial indebtedness that, even without immediate impact on the profitability, allowed a reinforcement of the patrimonial structure with a remarkable reduction of the net financial indebtedness, in presence of significant strategic investments.

In 2009, we highlight in particular, the industrial reorganization of the Italian Plant of Fiorano Modenese, where it was completed the installation of the innovative production line for the manufacturing of thin ceramic tiles (only 3mm thickness) with big sizes (3 meters x 1meter). This project is considered strategic for the Group, considering the evident potentiality of this kind of products and their increasing sales trend.

**MAIN ECONOMIC INDICATORS**

(thousand Euros)

Natura	31/12/2009	31/12/2008	var. €
Revenues from sales and services	284,490	328,346	(43,856)
Value of production	268,988	343,780	(74,792)
Gross operating profit	21,109	35,902	(14,793)
Net operating profit	218	15,464	(15,246)
Consolidated net profit (loss)	(4,608)	5,445	(10,053)

“Even in the hard economic context of 2009, our Group – said Emilio Mussini, Chairman of Panariagroup – was able to reduce the contraction recorded by the whole Industry, mainly thanks to the market positioning in the high-end and luxury ceramic segment, to the investments realized and finally, to the consolidated experience and ability to propose innovative products in term of aesthetic and technical features”.

“The economic and patrimonial solidity of our Group associated with the over 30 years successfully experience – continued Mussini – represent strength factors that will allow us to face and to go over the current general crisis, improving our positioning between the main players of our industry”.



## REVENUES

The **Net sales** reported a fall of **13.3%** going from 328.3 million Euros as of December 31<sup>st</sup> 2009 down to 284.5 million Euros as of December 31<sup>st</sup> 2008 (- 43.9 million Euros).

In the last quarter the reduction in sales was less critical if compared with the previous part of the year; in the last 3 months we recorded a decrease of about 6.3% while in the first 9 months of the year the drop was of about 15.4%.

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, recorded a decrease of about 12,11%, where, following data sourced from Confindustria Ceramica, the average reduction of the industry in 2009 is estimated in more than 17%..

**EUROPE** – The quote of the European markets on the consolidated turnover is around 44%. The Net sales was of total 127.2 million Euros, down of about 17.42% if compared with 2008. The decrease is entirely due to a drop in volume sold, while the Group was able to keep constant the average prices.

**USA** – The quote of the US market on the consolidated turnover is around 19%. During all 2009 the crisis of the real estate industry continued, with strong effects on the realization and selling of new houses. In this market, the Companies of the Group realized sales for a total of 55.2 million Euros, with a decrease of 11.4%

## ECONOMIC RESULTS

The Gross operating profit is 21.1 million Euros, which represents 7.85% of the Value of Production.

The economic results of the Group have been influenced by contrasting effects:

- The considerable contraction of the turnover, that generated a reduction in the Gross Operating Margin
- The decrease in volume of production of more than 23%, has determined a penalization on the economic results, because of the higher incidence of the fixed costs on the Value of Production.
- The positive effect of the reduction in the oil price, that allowed savings on the energetic costs and on the freight cost related to the raw materials purchases.

The **Net operating profit** is 0.2 million Euros, after depreciations and amortisations for about 20.9 million Euros.



### **CONSOLIDATED NET RESULTS**

The Consolidated Net Loss amount to about 4.6 million Euros, deriving almost entirely from the first Half of the year.

### **NET FINANCIAL POSITION**

The Net Financial Position reported a negative balance of about 86.6 million Euros, with an improvement from the beginning of the year of about 12.3 million Euros.

### **SHAREHOLDERS' EQUITY**

The Shareholders' equity of the Group amounts to 146.5 millions Euros as of December 31<sup>st</sup> 2009 compared to 153.4 millions Euros at the beginning of the year.

### **OPERATIONAL OUTLOOK FOR THE GROUP**

Even considering the first signs of recovery of the world economy during in the last part of the year, it's still present a strong climate of uncertainty, that makes really hard the possibility to formulate sure business forecasts.

The good results achieved from the policies adopted on costs, working capital and financial indebtedness containment, give us more conviction that we have to continue to proceed on this lines.

Panariagroup will continue to pursue policies of rationalization of the costs and to develop the R&D activities that allowed the current market positioning of the Group.

### **CONVOCAZIONE OF THE ORDINARY ASSEMBLY, BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS APPOINTMENT**

The Board of Directors of Panariagroup has summoned the Assembly of shareholders on 23<sup>th</sup> April 2010 at 10:00 and eventually in second meeting on next 24<sup>th</sup> April 2010, at the same time.

The Assembly of shareholders is called to deliberate on the approval of the Financial Statement 2009, the proposal of destination of the net result, the renewal of the Board of Directors and of the Board of Statutory Auditors, and the renewal of the authorization to the Board of Directors to do, within the date of the approval of the Financial Statement 2010, operations of trading of treasury shares.

To this day, the Holding Panaria holds 432.234 treasury shares (equal to 0.953% of the share capital) for a nominal value of 0.50 Euro for share. If authorized, the trading operations could be done for a maximum number of share representing not more than 10% of the share capital, deducted the 432,234 shares actually owned, in accordance with the legal and regulatory dispositions applicable from time to time and with the Regulation issued by Borsa Italiana, from art. 144 bis of "Regolamento Emittenti" 11971/99, as well as in compliance with the EU rules 2003/6/CE and CE 2273/2003.

The eventual purchases, if authorized, should be on the Stock Exchange, for a period of not more than 18 months, starting from the assembly of the shareholders. Purchases destined to stock options plans and to issue convertible debentures must be realized on the market following operating methods that can't allow the direct link of the purchasing negotiation proposal with determinate selling negotiation proposal and they can be effected only at a price not higher and not lower than 20% the official price recorded by the Panariagroup shares in the Stock Exchange session immediately previous each single operation. The eventual other purchases must be realized on the market following operating methods that can't allow the direct link of the purchasing



negotiation proposal with determinate selling negotiation proposal and they can be effected only at a price not higher 20% and not lower 20% the official price recorded by the Panariagroup shares in the Stock Exchange session immediately previous each single operation. The maximum number of treasury shares purchasable daily can't be higher than 25% of the average daily volume of Panariagroup shares negotiated on the Stock Exchange. The potential purchase of treasury share should not exceed the available reserves shown in the latest approved financial statements. The reasons for the request of the authorization are; company purposes allowed by the Law such as, incentives to the staff, to the personnel and the Administrators of the Company and/or controlled companies; accomplishment of obligations deriving from convertible debentures; completion of trading operations, in the limit of the market use; and trading operations with payment in shares.

### **CORPORATE GOVERNANCE**

In the same Board Meeting, the Board of Directors approved the annual relation on the Company Governance, following art. 123-bis TUF and 89-bis of Consob law n. 11971/99 and modifications and integrations. The above mentioned relation will be available on the internet site of the Company [www.panariagroup.it](http://www.panariagroup.it)

### **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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Sassuolo, 12 March 2010



**PANARIAGROUP**  
**CONSOLIDATED FINANCIAL STATEMENT**

**BALANCE SHEET**  
 (THOUSANDS OF EURO)

<i>rif</i>	<u>ASSETS</u>	<b>31/12/2009</b>	<b>31/12/2008</b>
	<b>CURRENT ASSETS</b>	<b>229.587</b>	<b>260.548</b>
<b>1.a</b>	Inventories	130.367	153.284
<b>1.b</b>	Trade Receivables	87.478	96.197
<b>1.c</b>	Due from tax authorities	3.629	3.927
<b>1.d</b>	Other current assets	3.657	3.450
<b>1.e</b>	Cash and cash equivalents	4.456	3.690
	<b>NON-CURRENT ASSETS</b>	<b>122.604</b>	<b>125.510</b>
<b>2.a</b>	Goodwill	12.789	12.989
<b>2.b</b>	Intangible assets	3.376	3.757
<b>2.c</b>	Property, plant and equipment	95.572	96.944
<b>2.d</b>	Financial assets	10.580	11.566
<b>2.e</b>	Deferred tax assets	0	0
<b>2.f</b>	Other non-current assets	287	254
	<b>TOTAL ASSETS</b>	<b>352.191</b>	<b>386.058</b>
	<u>LIABILITIES</u>	<b>31/12/2009</b>	<b>31/12/2008</b>
	<b>CURRENT LIABILITIES</b>	<b>124.135</b>	<b>176.616</b>
<b>3.a</b>	Due to banks and other sources of finance	38.766	78.896
<b>3.b</b>	Trade payables	57.104	65.078
<b>3.c</b>	Due to tax authorities	3.664	4.757
<b>3.d</b>	Other current liabilities	24.601	27.885
	<b>NON-CURRENT LIABILITIES</b>	<b>81.542</b>	<b>55.957</b>
<b>4.a</b>	Employee severance indemnities	6.710	6.883
<b>4.b.</b>	Deferred tax liabilities	2.918	3.313
<b>4.c</b>	Provisions for risks and charges	7.756	7.102
<b>4.d</b>	Due to banks and other sources of finance	63.634	36.086
<b>4.e</b>	Other non-current liabilities	524	2.573
	<b>TOTAL LIABILITIES</b>	<b>205.677</b>	<b>232.573</b>
<b>5</b>	<b>EQUITY</b>	<b>146.514</b>	<b>153.485</b>
	Share capital	22.678	22.678
	Reserves	128.444	125.362
	Net profit for the year	(4.608)	5.445
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>352.191</b>	<b>386.058</b>

**PANARIAGROUP**  
**CONSOLIDATED FINANCIAL STATEMENT**

**INCOME STATEMENT - IFRS**

(THOUSANDS OF EURO)

	31/12/2009		31/12/2008	
<b>REVENUES FROM SALES AND SERVICES</b>	<b>284.490</b>	<b>105,8%</b>	<b>328.346</b>	<b>95,5%</b>
	-	0,0%	-	0,0%
Change in inventories of finished products	(20.608)	-7,7%	8.360	2,4%
Other revenues	5.106	1,9%	7.074	2,1%
<i>of which, non-recurring revenues</i>	-	0,0%	2.000	0,6%
<b>VALUE OF PRODUCTION</b>	<b>268.988</b>	<b>100,0%</b>	<b>343.780</b>	<b>100,0%</b>
Raw materials	(67.471)	-25,1%	(97.640)	-28,4%
Services, leases and rentals	(108.718)	-40,4%	(135.491)	-39,4%
<i>of which, related party transactions</i>	(5.048)	-1,9%	(4.960)	-1,4%
Personnel costs	(68.036)	-25,3%	(71.961)	-20,9%
Change in inventories of raw materials	(832)	-0,3%	505	0,1%
Other operating expenses	(2.822)	-1,0%	(3.291)	-1,0%
<b>PRODUCTION COSTS</b>	<b>(247.879)</b>	<b>-92,2%</b>	<b>(307.878)</b>	<b>-89,6%</b>
<b>GROSS OPERATING PROFIT</b>	<b>21.109</b>	<b>7,8%</b>	<b>35.902</b>	<b>10,4%</b>
Amortisation and depreciation	(17.139)	-6,4%	(17.601)	-5,1%
Provisions and writedowns	(2.964)	-1,1%	(2.837)	-0,8%
Non recurring Provisions and Writedowns	(788)	-0,3%	-	0,0%
<b>NET OPERATING PROFIT</b>	<b>218</b>	<b>0,1%</b>	<b>15.464</b>	<b>4,5%</b>
Financial income (expense)	(4.732)	-1,8%	(5.875)	-1,7%
<b>PRE-TAX PROFIT</b>	<b>(4.514)</b>	<b>-1,7%</b>	<b>9.589</b>	<b>2,8%</b>
Income taxes	(94)	0,0%	(4.144)	-1,2%
<b>NET PROFIT</b>	<b>(4.608)</b>	<b>-1,7%</b>	<b>5.445</b>	<b>1,6%</b>
<b>BASIC AND DILUTED EARNING PER SHARE</b>	<b>(0,10)</b>		<b>0,12</b>	



**PANARIAGROUP**  
**CONSOLIDATED FINANCIAL STATEMENT**

**CASH FLOW STATEMENT - IFRS**

(THOUSANDS OF EURO)

	<b>31st December</b>	
	<b>2009</b>	<b>2008</b>
<b>A - OPERATIONS</b>		
Net Result of the period	(4.608)	5.445
Amortisation, depreciation and impairments	17.339	17.600
Deferred tax liabilities (assets)	(395)	(2.840)
Net change in provisions	2.868	2.406
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	<i>15.204</i>	<i>22.611</i>
(Increase)/Decrease in trade receivables	7.554	3.686
(Increase)/Decrease in inventories	21.695	(10.564)
(Increase)/Decrease in trade payables	(7.974)	(9.985)
Net change in other current assets/liabilities	(6.383)	613
<i>Cash flow (absorption) from operations due to changes in working capital</i>	<i>14.892</i>	<i>(16.250)</i>
<b>TOTAL (A) CASH FLOW FROM OPERATIONS</b>	<b>30.096</b>	<b>6.361</b>
<b>B - INVESTMENT ACTIVITY</b>		
Net investment in tangible and intangible assets	(15.918)	(17.701)
Net investment in financial assets	-	(9)
Exchange difference on tangible and intangible assets	532	(909)
<b>TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY</b>	<b>(15.386)</b>	<b>(18.619)</b>
<b>C - FINANCING ACTIVITY</b>		
Increase in capital	-	-
Distribution of dividends	(1.348)	(6.749)
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	(1.011)
Net change in loans	32.454	(3.012)
<b>TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES</b>	<b>31.106</b>	<b>(10.772)</b>
<b>Opening net cash (indebtedness)</b>	<b>(68.078)</b>	<b>(46.807)</b>
Change in the translation reserve	(1.015)	1.759
Net change in net short-term cash (indebtedness) (A+B+C)	45.816	(23.030)
<b>Closing net cash (indebtedness)</b>	<b>(23.277)</b>	<b>(68.078)</b>
Supplementary information		
Interest paid	2.468	4.550
Income taxes paid	2.747	5.556

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



**PANARIAGROUP Industrie Ceramiche S.p.A.**  
**FINANCIAL STATEMENT**

**BALANCE SHEET**  
 (THOUSANDS OF EURO)

<b>ASSETS</b>	<b>31/12/2009</b>	<b>31/12/2008</b>
<b>CURRENT ASSETS</b>	<b>167.020.722</b>	<b>190.589.839</b>
Inventories	81.341.846	96.587.973
Trade Receivables	75.699.840	82.922.312
Due from tax authorities	3.198.263	3.746.591
Other current assets	4.916.551	5.619.217
Cash and cash equivalents	1.864.222	1.713.746
<b>NON-CURRENT ASSETS</b>	<b>127.817.754</b>	<b>128.488.792</b>
Intangible assets	1.424.067	1.367.503
Property, plant and equipment	45.391.136	43.574.959
Financial assets	67.212.183	74.493.346
Deferred tax assets	0	0
Other non-current assets	13.790.368	9.052.984
<b>TOTAL ASSETS</b>	<b>294.838.476</b>	<b>319.078.631</b>
<b>LIABILITIES</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<b>CURRENT LIABILITIES</b>	<b>96.477.941</b>	<b>142.861.823</b>
Due to banks and other sources of finance	34.328.808	74.176.782
Trade payables	40.073.605	44.592.610
Due to tax authorities	3.199.699	2.995.549
Other current liabilities	18.875.829	21.096.882
<b>NON-CURRENT LIABILITIES</b>	<b>63.026.643</b>	<b>38.057.625</b>
Employee severance indemnities	6.588.272	6.762.312
Deferred tax liabilities	293.020	295.633
Provisions for risks and charges	7.009.959	6.791.343
Due to banks and other sources of finance	49.080.770	24.153.937
Other non-current liabilities	54.622	54.400
<b>TOTAL LIABILITIES</b>	<b>159.504.584</b>	<b>180.919.448</b>
<b>EQUITY</b>	<b>135.333.892</b>	<b>138.159.183</b>
Share capital	22.677.646	22.677.646
Reserves	114.133.846	109.377.519
Net profit for the year	(1.477.600)	6.104.018
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>294.838.476</b>	<b>319.078.631</b>



## INCOME STATEMENT

(THOUSANDS OF EURO)

	31/12/2009		31/12/2008	
<b>REVENUES FROM SALES AND SERVICES</b>	<b>185.558.966</b>	<b>107,0%</b>	<b>216.111.878</b>	<b>97,1%</b>
Change in inventories of finished products	(15.045.305)	-8,7%	2.758.773	1,2%
	-		-	
Other revenues	2.882.491	1,7%	3.751.984	1,7%
<i>of which, non-recurring revenues</i>	-	0,0%	2.000.000	0,9%
<b>VALUE OF PRODUCTION</b>	<b>173.396.152</b>	<b>100,0%</b>	<b>222.622.635</b>	<b>100,0%</b>
Raw materials	(39.531.316)	-22,8%	(58.266.387)	-26,2%
Services, leases and rentals	(72.473.227)	-41,8%	(93.147.779)	-41,8%
<i>of which, related party transactions</i>	(5.048.296)	-2,9%	(4.959.769)	-2,2%
Personnel costs	(42.691.319)	-24,6%	(44.688.644)	-20,1%
Change in inventories of raw materials	(831.880)	-0,5%	505.323	0,2%
Other operating expenses	(1.372.585)	-0,8%	(1.703.639)	-0,8%
<b>PRODUCTION COSTS</b>	<b>(156.900.327)</b>	<b>-90,5%</b>	<b>(197.301.126)</b>	<b>-88,6%</b>
<b>GROSS OPERATING PROFIT</b>	<b>16.495.825</b>	<b>9,5%</b>	<b>25.321.509</b>	<b>11,4%</b>
Amortisation and depreciation	(10.578.602)	-6,1%	(10.300.862)	-4,6%
Provisions and writedowns	(1.495.413)	-0,9%	(1.482.078)	-0,7%
<b>NET OPERATING PROFIT</b>	<b>4.421.810</b>	<b>2,6%</b>	<b>13.538.569</b>	<b>6,1%</b>
Financial income (expense)	(5.793.741)	-3,3%	(5.036.683)	-2,3%
<b>PRE-TAX PROFIT</b>	<b>(1.371.931)</b>	<b>-0,8%</b>	<b>8.501.886</b>	<b>3,8%</b>
Income taxes	(105.669)	-0,1%	(2.397.868)	-1,1%
<b>NET PROFIT</b>	<b>(1.477.600)</b>	<b>-0,9%</b>	<b>6.104.018</b>	<b>2,7%</b>
<b>BASIC AND DILUTED EARNING PER SHARE</b>	<b>(0,03)</b>		<b>0,13</b>	



## PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

### CASH FLOW STATEMENT

(THOUSANDS OF EURO)

	31 dicembre 2009	31 dicembre 2008
<b>A - OPERATIONS</b>		
Net Result	(1.478)	6.104
Amortisation and depreciation	10.579	10.301
Deferred tax liabilities (assets)	(2)	(2.514)
Net change in the provision for severance indemnities	(174)	(297)
Net change in provisions	1.302	1.526
Investments depreciation	7.200	9.000
Dividends by controlled companies not yet paid	990	(3.960)
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	<i>18.417</i>	<i>20.160</i>
(Increase)/Decrease in trade receivables	6.739	436
(Increase)/Decrease in inventories	14.646	(3.264)
(Increase)/Decrease in trade payables	(4.520)	(5.930)
Net change in other current assets/liabilities	(1.736)	1.051
<i>Cash flow (absorption) from operations due to changes in working capital</i>	<i>15.129</i>	<i>(7.707)</i>
<b>TOTAL (A) CASH FLOW FROM OPERATIONS</b>	<b>33.546</b>	<b>12.453</b>
<b>B - INVESTMENT ACTIVITY</b>		
Net investment in tangible assets	(11.766)	(9.020)
Net investment in intangible assets	(686)	(797)
Net investment in financials assets	-	(5.422)
<b>TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY</b>	<b>(12.452)</b>	<b>(15.239)</b>
<b>C - FINANCING ACTIVITY</b>		
Increase in capital	-	-
Distribution of dividends	(1.347)	(6.749)
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	(1.011)
Net change in loans	28.182	(2.147)
Net change in other financing activities/liabilities	-	-
Net change in intercompany loans	(4.674)	(5.997)
<b>TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES</b>	<b>22.161</b>	<b>(15.904)</b>
<b>Opening net cash (indebtedness)</b>	<b>(66.646)</b>	<b>(47.956)</b>
<b>Net change in net short-term cash (indebtedness) (A+B+C)</b>	<b>43.255</b>	<b>(18.690)</b>
<b>Closing net cash (indebtedness)</b>	<b>(23.391)</b>	<b>(66.646)</b>