PRESS RELEASE
Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2010

- Net Revenues amounted to 68.7 million Euros (- 3,7% compared with first quarter 2009).
- Gross operating profit amounted to 5.7 million Euros (equal to 8.1% on Value of Production).
- Pre-tax result amounted to 0.8 million Euros (+3.0 million Euros compared with first quarter 2009)
- Consolidated net loss of the period was 0.2 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 first quarter 2010, even with a moderate reduction in sales, reached financial results in evident recovery in comparison with the first quarter 2009, with the pre-tax profit returning positive with an improvement of more than 3 million Euros.

The positive trend of the Group is not representative of a real recovery of the markets, in particular, the Western European Countries which are our main commercial outlet, are still in a weak stage.

FINANCIAL HIGHLIGHTS
(thousand Euros)

	31/3/2010	**31/3/2009**	**var. €**
Revenues from sales and services	68,708	71,369	(2,661)
Value of production	70,016	71,595	(1,579)
Gross operating profit	5,695	3,672	2,023
Net operating profit	0,669	(1,182)	1,851
Pre-tax Result	0,825	(2,202)	3,027
Consolidated net profit (loss)	(0,158)	(2,580)	2,422

“The results obtained in the first quarter of 2010 – said Emilio Mussini, Chairman of Panariagroup – show a good recovery of the operating margins and confirm the solidity of the business of the Group and considering the context of uncertainty that still involves the world economy, they can be considered really satisfactory”.

“The actions taken for the adequacy of the organizational structure to the actual level of sales, associated with the expectation of sales recovery on some important markets – continued Mussini – should enable us to confirm the increase of margins also in the next quarters”.

REVENUES

The **Net sales** reported a fall of **3.7%** going from 71.4 million Euros as of 31st March 2009 down to 68.7 million Euros as of 31st March 2010 (down 2.7 million Euros).

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

EUROPE – The share of the European markets on the consolidated sales is around 43%. The Western Countries of the European markets are the ones that are more suffering the effects of the crisis in 2010. The drop in this areas was of about 2.8 million Euros, while the Eastern European Countries showed a good increase of more than 20% (+0.3 million Euros), for a total reduction in European sales of about 2.5 million Euros (-7.8%)

ITALY – The Italian market, with a share of around 29% on the total sales, is decreasing in the same measure of the Western European Countries: the drop of the first quarter 2010 was of about 8% (-1.8 million Euros).

USA – The share of the US market on the consolidated sales is around 21%. The US market is showing interesting signs of recovery in the last months in the main economic indicators and consequently in the Real Estate industry. On this market, the Group realized a significant increase of 13.1% in Usd (+2.3 million Usd), that is reduced to 6.6% if expressed in Euro currency, due to the depreciation of the US currency (6.1%) if compared with the first quarter 2009.

FINANCIAL RESULTS

The **Gross operating profit** was 5.7 million Euros, which represents 8.1% of the Value of Production.

The factors that mainly determined the recovery of profitability:

- The increase in volume of production in respect with the first quarter 2009 (+10,8%) that enabled a reduction of the unitary costs in particular regard with the fixed costs (personnel, leasing, etc.)
- The reduction of the energy costs, electricity and gas, that compared with the first quarter 2009 recorded an average drop of 9% and 31% respectively
- The saving on raw materials purchases, even for the effect of the reduction of the freight costs, due to the oil cost trend
- The containment of the marketing costs, deriving from the optimization of the merchandising and commercial investments
- The adequacy of the organizational structure to the current level of sales of the Group.

The **Net operating profit** was 0.7 million Euros (negative for 1.2 million Euros as of 31st March 2009).

The **Pre-tax result** was about 0.8 million Euros (negative for 2.2 million Euros in the first quarter 2009), with an improvement of more than 3 million Euros.

The **Consolidated Net Loss** amounted to about 0.2 million Euros, with a significant improvement from the first quarter 2009 (the loss was 2.6 million Euros).

NET FINANCIAL POSITION

The Net Financial Position as of 31st March 2010 reported a negative balance of about 88.5 million Euros, recording an improvement of about 17.0 million Euros if compared with the first quarter 2009.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 148.2 millions Euros as of 31st March 2010 increasing from the balance of 146.5 million Euros at the beginning of the year.

OPERATIONAL OUTLOOK FOR THE GROUP

In the next months we can assume a stability of the economic scenario, therefore the strategies of the Group will focus on the optimization of the costs, on the defence of the European traditional markets, on the development of the emerging countries, through more dedicated commercial actions. We trust also on the progressive recovery of the US market where the Group is operating with a structure in condition to collect quickly each opportunity.

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 and Profit & Loss account

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	31/3/2010	31/12/2009	31/3/2009
Inventories	132,107	130,367	151,912
Accounts Receivable	92,780	87,478	98,325
Other current assets	6,841	6,699	7,410
CURRENT ASSETS	**231,728**	**224,544**	**257,647**
Accounts Payables	(58,658)	(57,104)	(60,521)
Other current liabilities	(28,298)	(28,265)	(33,908)
CURRENT LIABILITIES	**(86,956)**	**(85,369)**	**(94,429)**
NET WORKING CAPITAL	**144,772**	**139,175**	**163,218**
Goodwill	12,789	12,789	12,989
Intangible assets	3,383	3,376	3,758
Tangible assets	93,606	95,572	97,067
Equity Investments and other financial fixed assets	0,004	0,004	0,004
FIXED ASSETS	**109,782**	**111,741**	**113,818**
Receivables due after the following year	0,291	0,287	0,251
Provisions for termination benefits	(6,633)	(6,710)	(6,748)
Provisions for risks and charge and deferred taxes	(10,868)	(10,674)	(10,325)
Other payables due after the year	(0,576)	(0,524)	(2,175)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**(17,786)**	**(17,621)**	**(18,997)**
NET CAPITAL EMPLOYED	**236,768**	**233,295**	**258,039**

Short term financial assets	(4,850)	(4,456)	(3,015)
Short term financial debt	41,254	38,179	69,459
NET SHORT TERM FINANCIAL DEBT	**36,404**	**33,723**	**66,444**
Mid-long term financial debt	52,111	53,058	39,165
NET FINANCIAL POSITION	**88,515**	**86,781**	**105,609**
Group Shareholders' Equity	148,253	146,514	152,430
SHAREHOLDERS' EQUITY	**148,253**	**146,514**	**152,430**
TOTAL SOURCES OF FUNDS	**236,768**	**233,295**	**258,039**

YTD	31/3/2010	%	31/3/2009	%
Revenues from sales and services	**68,708**	**98,13%**	**71,369**	**99,68%**
Changes in inventories of finished products	0,419	0,60%	(1,417)	-1,98%
Other revenues	0,889	1,27%	1,643	2,29%
Value of Production	**70,016**	**100,00%**	**71,595**	**100,00%**
Raw, ancillary and consumable materials	(18,282)	-26,11%	(20,563)	-28,72%
Services, leases and rentals	(27,808)	-39,72%	(28,297)	-39,52%
Personnel costs	(17,641)	-25,20%	(18,243)	-25,48%
Changes in inventories of raw materials	0,061	0,09%	(0,073)	-0,10%
Other operating expenses	(0,651)	-0,93%	(0,747)	-1,04%
Cost of production	**(64,321)**	**-91,87%**	**(67,923)**	**-94,87%**
Gross operating profit	**5,695**	**8,13%**	**3,672**	**5,13%**
D&A expenses	(4,394)	-6,28%	(4,221)	-5,90%
Provisions and impairments	(0,632)	-0,90%	(0,633)	-0,88%
Non-recurring Provisions	0,000	0,00%	0,000	0,00%
Net operating profit	**0,669**	**0,96%**	**(1,182)**	**-1,65%**
Financial income and expense	0,156	0,22%	(1,020)	-1,42%
Pre-tax profit	**0,825**	**1,18%**	**(2,202)**	**-3,08%**
Income taxes	(0,983)	-1,40%	(0,378)	-0,53%
Net profit for the period	**(0,158)**	**-0,23%**	**(2,580)**	**-3,60%**
Cash Flow	**4,868**	**6,95%**	**2,274**	**3,18%**