PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Financial Report as of 30th June 2010

- Net Revenues amounted to 147.6 million Euros.
- Gross operating profit amounted to 15.6 million Euros (9.9 million Euros at 30th June 2010).
- Net operating profit amounted to 5.6 million Euros (negative for 0.6 million Euros at 30th June 2010).
- Consolidated net profit of the period was 3.6 million Euros (net loss of 4.4 million Euros at 30th June 2010).

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 June 2010, in accordance with the International Financial Reporting Standard (IFRS).

Even though the general economic context has been difficult, the results that we have achieved are a reflection of our strong and well-balanced corporate structure that found a strategy for recovery in Group profitability

The recovery in operating margins is principally due to the substantial savings achieved in industrial and marketing costs and to a reorganisation of the Group in line with the current market situation. In particular, the American structure of Florida Tile concluded a series of important rationalisations during 2009, the benefits of which were felt to the full in 2010.

**FINANCIAL HIGHLIGHTS**
(thousand Euros)

| | **30/6/2010** | **30/6/2009** | **var. €** |
|---|---:|---:|---:|
| Revenues from sales and services | 147,610 | 149,312 | (1,702) |
| Value of production | 149,406 | 140,023 | 9,383 |
| Gross operating profit | 15,635 | 9,927 | 5,708 |
| Net operating profit | 5,618 | (551) | 6,169 |
| Consolidated net profit (loss) | 3,594 | (4,406) | 8,000 |

“In the first 6 months of 2010, the Group – said Emilio Mussini, Chairman of Panariagroup – recorded important improvement in term of profitability in respect with the first half of 2009, confirming the validity of the action taken for the containment of the operating costs”.

“Thanks to the financial solidity of our Group and sustained by our continuous investment in research and development – continued Mussini – we are confident to reach good economic results also in the second half of the year”.

## REVENUES

The **Net sales** were equal to 147.6 million Euros, while they reached 149.3 million Euros at 30th June 2009.

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 42%. Despite good recoveries in the second quarter of 2010, **European markets** continue to be those that are suffering the most from the crisis, especially in the western part where the decline in sales has been around Euro 4 million (-6.27%), while markets in Eastern Europe have been showing a growth of 26%, with a total decrease in the European countries of 3.2 millions (-4.8%)

**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 semester was of about 2.4 million Euros (-5%). The stagnation of capital investment in the construction industry and the excess stock of houses on the market are the main reasons for the contraction in sales both in Italy and in the rest of Western Europe.

**USA** – The share of the US market on the consolidated sales is around 21%. Bucking the trend is the **US market** which towards the end of 2009 was already showing interesting signs of recovery in the main economic indicators and, in the first semester 2010, achieved an important increase in sales of around 13% in dollar terms (+**4.6** million USD).

## FINANCIAL RESULTS

The **Gross operating profit** was 15.6 million Euros, which represents 10.5% of the Value of Production (+5.7 million Euros on 30th June 2009).

The factors that mainly determined the recovery of profitability:

- The increase in production volumes compared with the first half of 2009 (+16.5%) has had a positive impact on the financial statements thanks to the reduction in product costs, especially fixed overheads;
- The reduction in energy prices (electricity and natural gas), which fell on average by 3% and 21%, respectively, compared with the first half of last year;
- The reduction in raw material prices, partly thanks to the fall in transport costs linked to the price of oil derivatives;
- A containment of marketing costs following an optimisation of promotional and merchandising investments;
- The savings that came from adjusting the organisational structure to the Group's current level of turnover, in particular, the optimisation of the structure, had put into effect through to a reduction in personnel in the areas worst hit by the decline in business (principally in the US at Florida Tile) and reconverting internal staff to do work that previously used to be outsourced.

The **Net operating profit** was positive for 5.6 million Euros with an improvement of about 6.2 millions on 1st semester 2009.

The **Consolidated Net Profit** amounted to about 3.6 million Euros, with a significant improvement of 8 million Euros, if compared with the Net Loss of the first half 2009 that was 4.4 million Euros.

**NET FINANCIAL POSITION**

The Net Financial Position as of 30th June 2010 reported a negative balance of about 84.0 million Euros, recording an improvement of about 20.9 million Euros if compared with the first semester 2009.

**SHAREHOLDERS' EQUITY**

The Shareholders' equity of the Group amounted to 154.8 millions Euros as of 30th June 2010 increasing from the balance of 146.5 million Euros at the beginning of the year.

**OPERATIONAL OUTLOOK FOR THE GROUP**

For next period there is still considerable uncertainty as to how the crisis will evolve, even if the signs in the second part of the first half that certain western markets had touched bottom and confirmation of growth in demand in Asia and North America tend to suggest a less negative scenario than the one seen in the first semester.
In this context, thanks to the positive results already obtained and those still expected, it is expected that operating results in the second half of the year, will maintain results achieved thanks also to continuous attention to research and technological development.

**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 Statement of Financial Position, Profit & Loss account and Cash Flow Statement

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Milano, 6h August 2010

# PANARIAGROUP
# CONSOLIDATED FINANCIAL STATEMENT

## BALANCE SHEET

(THOUSANDS OF EURO)

| ASSETS | 30/06/2010 | 31/12/2009 | 30/06/2009 |
|---|---|---|---|
| **CURRENT ASSETS** | **246.277** | **229.587** | **252.831** |
| Inventories | 134.460 | 130.367 | 139.480 |
| Trade Receivables | 101.296 | 87.478 | 103.070 |
| Due from tax authorities | 1.892 | 3.629 | 1.612 |
| Other current assets | 4.240 | 3.657 | 4.962 |
| Cash and cash equivalents | 4.389 | 4.456 | 3.707 |
| **NON-CURRENT ASSETS** | **121.626** | **122.604** | **123.564** |
| Goodwill | 12.789 | 12.789 | 12.989 |
| Intangible assets | 3.428 | 3.376 | 3.783 |
| Property, plant and equipment | 93.373 | 95.572 | 95.733 |
| Financial assets | 11.739 | 10.580 | 10.777 |
| Deferred tax assets | 0 | 0 | 0 |
| Other non-current assets | 297 | 287 | 282 |
| **TOTAL ASSETS** | **367.903** | **352.191** | **376.395** |

| LIABILITIES | 31/12/2009 | 31/12/2008 | 31/12/2008 |
|---|---|---|---|
| **CURRENT LIABILITIES** | **137.273** | **124.135** | **144.406** |
| Due to banks and other sources of finance | 43.300 | 38.766 | 55.060 |
| Trade payables | 63.802 | 57.104 | 56.837 |
| Due to tax authorities | 2.572 | 3.664 | 3.622 |
| Other current liabilities | 27.599 | 24.601 | 28.887 |
| **NON-CURRENT LIABILITIES** | **75.792** | **81.542** | **84.497** |
| Employee severance indemnities | 6.536 | 6.710 | 6.678 |
| Deferred tax liabilities | 3.203 | 2.918 | 3.224 |
| Provisions for risks and charges | 7.832 | 7.756 | 7.877 |
| Due to banks and other sources of finance | 57.573 | 63.634 | 65.006 |
| Other non-current liabilities | 648 | 524 | 1.712 |
| **TOTAL LIABILITIES** | **213.065** | **205.677** | **228.903** |
| **EQUITY** | **154.838** | **146.514** | **147.492** |
| Share capital | 22.678 | 22.678 | 22.678 |
| Reserves | 128.566 | 128.444 | 129.220 |
| Net profit for the year | 3.594 | (4.608) | (4.406) |
| **TOTAL LIABILITIES AND EQUITY** | **367.903** | **352.191** | **376.395** |

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

## INCOME STATEMENT - IFRS
(THOUSANDS OF EURO)

| | 30/6/2010 | | 31/12/2009 | | 30/6/2009 | |
|---|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **147.610** | **98,8%** | **284.490** | **105,8%** | **149.312** | **106,6%** |
| Change in inventories of finished products | (198) | -0,1% | (20.608) | -7,7% | (12.246) | -8,7% |
| Other revenues | 1.994 | 1,3% | 5.106 | 1,9% | 2.957 | 2,1% |
| **VALUE OF PRODUCTION** | **149.406** | **100,0%** | **268.988** | **100,0%** | **140.023** | **100,0%** |
| Raw materials | (38.517) | -25,8% | (67.471) | -25,1% | (37.228) | -26,6% |
| Services, leases and rentals | (58.581) | -39,2% | (108.718) | -40,4% | (55.817) | -39,9% |
| *of which, related party transactions* | *(2.488)* | *-1,7%* | *(5.048)* | *-1,9%* | *(2.481)* | *-1,8%* |
| Personnel costs | (35.568) | -23,8% | (68.036) | -25,3% | (35.260) | -25,2% |
| Change in inventories of raw materials | 346 | 0,2% | (832) | -0,3% | (247) | -0,2% |
| Other operating expenses | (1.451) | -1,0% | (2.822) | -1,0% | (1.544) | -1,1% |
| **PRODUCTION COSTS** | **(133.771)** | **-89,5%** | **(247.879)** | **-92,2%** | **(130.096)** | **-92,9%** |
| **GROSS OPERATING PROFIT** | **15.635** | **10,5%** | **21.109** | **7,8%** | **9.927** | **7,1%** |
| Amortisation and depreciation | (8.481) | -5,7% | (17.139) | -6,4% | (8.309) | -5,9% |
| Provisions and writedowns | (1.536) | -1,0% | (2.964) | -1,1% | (1.381) | -1,0% |
| Non recurring Provisions and Writedowns | – | 0,0% | (788) | -0,3% | (788) | -0,6% |
| **NET OPERATING PROFIT** | **5.618** | **3,8%** | **218** | **0,1%** | **(551)** | **-0,4%** |
| Financial income (expense) | 782 | 0,5% | (4.732) | -1,8% | (2.759) | -2,0% |
| **PRE-TAX PROFIT** | **6.400** | **4,3%** | **(4.514)** | **-1,7%** | **(3.310)** | **-2,4%** |
| Income taxes | (2.806) | -1,9% | (94) | 0,0% | (1.096) | -0,8% |
| **NET PROFIT** | **3.594** | **2,4%** | **(4.608)** | **-1,7%** | **(4.406)** | **-3,1%** |
| **BASIC AND DILUTED EARNING PER SHARE** | **0,08** | | **(0,10)** | | **(0,10)** | |

## PANARIAGROUP

## CONSOLIDATED FINANCIAL STATEMENT

### CASH FLOW STATEMENT - IFRS

(THOUSANDS OF EURO)

| | 30th June | | 31st Dec |
|---|---|---|---|
| | 2010 | 2009 | 2009 |
| **A - OPERATIONS** | | | |
| Net Result of the period | 3.594 | (4.406) | (4.608) |
| Amortisation, depreciation and impairments | 8.481 | 8.309 | 17.339 |
| Deferred tax liabilities (assets) | 285 | (89) | (395) |
| Net change in provisions | 1.255 | 1.739 | 2.868 |
| *Cash flow (absorption) from operations prior to changes in working capital* | *13.615* | *5.553* | *15.204* |
| (Increase)/Decrease in trade receivables | (14.550) | (7.235) | 7.554 |
| (Increase)/Decrease in inventories | (4.714) | 12.997 | 21.695 |
| (Increase)/Decrease in trade payables | 6.698 | (8.241) | (7.974) |
| Net change in other current assets/liabilities | 3.276 | (219) | (6.383) |
| *Cash flow (absorption) from operations due to changes in working capital* | *(9.290)* | *(2.698)* | *14.892* |
| **TOTAL (A) CASH FLOW FROM OPERATIONS** | **4.325** | **2.855** | **30.096** |
| **B - INVESTMENT ACTIVITY** | | | |
| Net investment in tangible and intangible assets | (3.695) | (7.326) | (15.918) |
| Net investment in financial assets | - | - | - |
| Exchange difference on tangible and intangible assets | (2.639) | 202 | 532 |
| **TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY** | **(6.334)** | **(7.124)** | **(15.386)** |
| **C - FINANCING ACTIVITY** | | | |
| Increase in capital | - | - | - |
| Distribution of dividends | - | (1.348) | (1.348) |
| Other changes in equity | - | - | - |
| (Purchase) Sale of treasury shares | - | - | - |
| Net change in loans | (4.823) | 31.656 | 32.454 |
| **TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES** | **(4.822)** | **30.308** | **31.106** |
| **Opening net cash (indebtedness)** | **(23.277)** | **(68.078)** | **(68.078)** |
| Change in the translation reserve | **4.730** | **(239)** | **(1.015)** |
| Net change in net short-term cash (indebtness) (A+B+C) | **(6.832)** | **26.039** | **45.816** |
| **Closing net cash (indebtness)** | **(25.379)** | **(42.278)** | **(23.277)** |
| Supplementary information | | | |
| Interest paid | 844 | 1.425 | 2.468 |
| Income taxes paid | 592 | 995 | 2.747 |

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