



## **PRESS RELEASE**

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approved the Consolidated Financial Report as of 30<sup>th</sup> September 2010

- Net Revenues amounted to 215.1 million Euros.
- Gross operating profit amounted to 21.9 million Euros.
- Net operating profit amounted to 6.5 million Euros.
- Consolidated net profit of the period was 2.1 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 Consolidated Financial Report as of 30<sup>th</sup> September 2010, in accordance with the International Financial Reporting Standard (IFRS).

The results of the last quarter confirmed the good level of the operating margins, thanks to savings realized in the industrial and commercial costs and to the adequacy of the organization of the Group to the present market situation. Furthermore, we highlight a significant reduction in the financial indebtedness.

The US Business Unit confirmed the evident improvement from last year, thanks to the new organizational structure and to the relevant increase in sales.

## **FINANCIAL HIGHLIGHTS**

(thousand Euros)

	<b>30/9/2010</b>	<b>30/9/2009</b>	<b>var. €</b>
Revenues from sales and services	215,084	214,235	0,849
Value of production	217,568	201,166	16,402
Gross operating profit	21,861	15,815	6,046
Net operating profit	6,496	0,412	6,084
Consolidated net profit (loss)	2,083	(5,275)	7,358

“Even with the persistency of the uncertainty scenario that still characterized the world economy, our Group reached – said Emilio Mussini, Chairman of Panariagroup – good operating margins in these 9 months of 2010, mainly thanks the optimization of the resources and the research of higher organizational efficiency”.

“Aware of the current difficult situation for our industry – continued Mussini – we are confident to reach good economic results also in the last quarter of the year”.



## REVENUES

The **Net sales** were equal to 215.1 million Euros, with an increase of 0.4% if compared with 2009 figures.

The three principal referential markets for Panariagroup are the Italian, the European and the US one, characterised by non-homogeneous situations .

**EUROPE** – The share of the European markets on the consolidated sales is around 42%. The Western Countries of the **European markets** dropped of about 5.5 million Euros (-6%), while the Eastern European Countries showed a good increase of 20% (+0.9 million Euros), for a total reduction in European sales of about 4.6 million Euros (-4.7%).

**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 with a drop of 5.2%.

**USA** – The share of the US market on the consolidated turnover is around 22%. The US market showed an irregular trend on the main economic indicators, passing from phases of enthusiasm to phases of more prudence (particularly confirmed by the financial markets). Anyway, on this area the Group begun to collect the first outcomes of the big efforts effected, realizing a very good increase of 7 million Euros, equal to 16.8%.

## FINANCIAL RESULTS

The **Gross operating profit** was 21.9 million Euros (+6.0 million Euros on 30<sup>th</sup> September 2009), equal to 10% on Value of Production.

The factors that mainly determined the recovery of profitability:

- The increase in production volumes compared with 2009 (+17.1%) has had a positive impact on the financial statements thanks to the reduction in product costs, especially fixed overheads;
- The reduction in energy prices which fell on average by 7%;
- The reduction in raw material prices, partly thanks to the fall in transport costs linked to the price of oil derivatives;
- The containment of the marketing costs, deriving from the optimization of the merchandising and commercial investments
- The rationalization of the organizational structure to the current turnover of the Group, obtained through effectual optimizations of the internal processes and precise actions of personnel reduction or reemployment.

The **Net operating profit** was positive for 6.5 million Euros (0.4 million Euros at 30<sup>th</sup> September 2009), with a marked improvement of 6.1 millions on 2009.

The **Consolidated Net Profit** amounted to about 2.1 million Euros, with a significant improvement on 2009 (Consolidated Loss of 5.3 million Euros).



## **NET FINANCIAL POSITION**

The Net Financial Position as of 30<sup>th</sup> September 2010 was in big improvement if compared with September 2009, reducing of 16.4 million Euros and with an ending balance of 77.3 million Euros..

## **SHAREHOLDERS' EQUITY**

The Shareholders' equity of the Group amounted to 150.2 millions Euros as of 30<sup>th</sup> September 2010 increasing from the balance of 146.5 million Euros at the beginning of the year.

## **OPERATIONAL OUTLOOK FOR THE GROUP**

The investments in new technologies and the commercial planning aimed to consolidate the market share in the more traditional countries and the development in the areas with higher perspectives, will be the engine of our activities and we believe that will guarantee the best results in the future.

In strict relation with that, we would like to mention the concrete commercial opportunities deriving from the recent investments in the innovative production lines of laminated gres (big sizes 300x100 cm, with 3mm thickness) that are obtaining very good feed-back from the market, with significant increases in sales.

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## **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: Reclassified Balance Sheet, Profit and Loss Accounts

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**Reclassified balance sheet (in € / 000)**

	30/9/2010	30/6/2010	31/12/2009	30/9/2009
Inventories	130,838	134,460	130,367	132,891
Accounts Receivable	89,148	101,296	87,478	92,397
Other current assets	6,283	5,443	6,699	5,443
<b>CURRENT ASSETS</b>	<b>226,269</b>	<b>241,199</b>	<b>224,544</b>	<b>230,731</b>
Accounts Payables	(58,090)	(63,802)	(57,104)	(54,993)
Other current liabilities	(30,717)	(30,171)	(28,265)	(31,120)
<b>CURRENT LIABILITIES</b>	<b>(88,807)</b>	<b>(93,973)</b>	<b>(85,369)</b>	<b>(86,113)</b>
<b>NET WORKING CAPITAL</b>	<b>137,462</b>	<b>147,226</b>	<b>139,175</b>	<b>144,618</b>
Goodwill	12,789	12,789	12,789	12,989
Intangible assets	3,131	3,428	3,376	3,485
Tangible assets	90,874	93,373	95,572	96,576
Equity Investments and other financial fixed assets	0,004	0,004	0,004	0,004
<b>FIXED ASSETS</b>	<b>106,798</b>	<b>109,594</b>	<b>111,741</b>	<b>113,054</b>
Receivables due after the following year	0,280	0,297	0,287	0,289
Provisions for termination benefits	(6,533)	(6,536)	(6,710)	(6,691)
Provisions for risks and charge and deferred taxes	(9,820)	(11,035)	(10,674)	(10,844)
Other payables due after the year	(0,607)	(0,648)	(0,524)	(1,048)
<b>ASSETS AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(16,680)</b>	<b>(17,922)</b>	<b>(17,621)</b>	<b>(18,294)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>227,580</b>	<b>238,898</b>	<b>233,295</b>	<b>239,378</b>
Short term financial assets	(4,791)	(4,389)	(4,456)	(3,777)
Short term financial debt	36,633	42,611	38,179	43,520
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>31,842</b>	<b>38,222</b>	<b>33,723</b>	<b>39,743</b>
Mid-long term financial debt	45,495	45,838	53,058	54,042
<b>NET FINANCIAL POSITION</b>	<b>77,337</b>	<b>84,060</b>	<b>86,781</b>	<b>93,785</b>
Group Shareholders' Equity	150,243	154,838	146,514	145,593
<b>SHAREHOLDERS' EQUITY</b>	<b>150,243</b>	<b>154,838</b>	<b>146,514</b>	<b>145,593</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>227,580</b>	<b>238,898</b>	<b>233,295</b>	<b>239,378</b>

**Profit and Loss Account (in € / 000)**

<b>CUMULATED</b>	<b>30/9/2010</b>	<b>%</b>	<b>30/9/2009</b>	<b>%</b>	<b>var.</b>
<b>Revenues from sales and services</b>	<b>215,084</b>	<b>98,86%</b>	<b>214,235</b>	<b>106,50%</b>	<b>0,849</b>
Changes in inventories of finished products	(0,602)	-0,28%	(17,103)	-8,50%	16,501
Other revenues	3,086	1,42%	4,034	2,01%	(0,948)
<b>Value of Production</b>	<b>217,568</b>	<b>100,00%</b>	<b>201,166</b>	<b>100,00%</b>	<b>16,402</b>
Raw, ancillary and consumable materials	(56,418)	-25,93%	(53,411)	-26,55%	(3,007)
Services, leases and rentals	(85,530)	-39,31%	(79,127)	-39,33%	(6,403)
Personnel costs	(52,162)	-23,98%	(50,849)	-25,28%	(1,313)
Changes in inventories of raw materials	0,523	0,24%	0,124	0,06%	0,399
Other operating expenses	(2,120)	-0,97%	(2,088)	-1,04%	(0,032)
<b>Cost of production</b>	<b>(195,707)</b>	<b>-89,95%</b>	<b>(185,351)</b>	<b>-92,14%</b>	<b>(10,356)</b>
<b>Gross operating profit</b>	<b>21,861</b>	<b>10,05%</b>	<b>15,815</b>	<b>7,86%</b>	<b>6,046</b>
D&A expenses	(12,857)	-5,91%	(12,587)	-6,26%	(0,270)
Provisions and impairments	(2,508)	-1,15%	(2,016)	-1,00%	(0,492)
Non-recurring Provisions	0,000	0,00%	(0,800)	-0,40%	0,800
<b>Net operating profit</b>	<b>6,496</b>	<b>2,99%</b>	<b>0,412</b>	<b>0,20%</b>	<b>6,084</b>
Financial income and expense	(1,688)	-0,78%	(4,272)	-2,12%	2,584
<b>Pre-tax profit</b>	<b>4,808</b>	<b>2,21%</b>	<b>(3,860)</b>	<b>-1,92%</b>	<b>8,668</b>
Income taxes	(2,725)	-1,25%	(1,415)	-0,70%	(1,310)
<b>Net profit for the period</b>	<b>2,083</b>	<b>0,96%</b>	<b>(5,275)</b>	<b>-2,62%</b>	<b>7,358</b>
<b>Cash Flow</b>	<b>17,448</b>	<b>8,02%</b>	<b>10,128</b>	<b>5,03%</b>	<b>7,320</b>