



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A.: The Board of Directors approves the draft financial statements at 31 December 2010.

- Consolidated net revenues from sales and services of 285.2 million Euro (284.5 million Euro in 2009).
- Gross operating profit of 28.2 million Euro (21.1 million Euro in 2009).
- Net operating profit of 6.5 million Euro (0.2 million Euro in 2009).
- Consolidated net profit of 1.4 million Euro compared with a loss of 4.6 million Euro in 2009.

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., a Group operating in the production and sale of high quality and luxury ceramic materials for floor and wall coverings, today has approved the draft financial statements at 31 December 2010, prepared in compliance with International Financial Reporting Standards (IFRS).

In a context still characterised by the ongoing impact of the economic downturn, especially in those countries where the Group carries on most of its production and commercial activities, Panariagroup continued throughout 2010 to implement policies designed to protect market shares, hold down costs and reduce debt.

These measures reinforced the Group's balance sheet, with a considerable reduction in debt despite the substantial strategic investments carried out during the year.

A new commercial unit called Panariagroup Trade was set up during the year without additional costs. It will be responsible for markets in Asia and the Middle East, areas that ought to offer the best growth potential over the coming years.

In 2010, Panariagroup continued successfully to produce its innovative line of thin (3mm) and large format (3m x 1m) ceramic plates at the Fiorano plant. This product continues to achieve rising sales volumes.

KEY FIGURES

(in thousands of Euro)

Nature	31/12/2010	31/12/2009	change €
Revenues from sales and services	285,179	284,490	689
Value of production	292,500	268,988	23,512
Gross operating profit	28,253	21,109	7,144
Net operating profit	6,480	218	6,262
Consolidated net profit	1,444	(4,608)	6,052

“Even though the international downturn in the economy continued in 2010 – declared **Emilio Mussini, Chairman of Panariagroup** – thanks to its positioning in the high quality and luxury end of the market and thanks to technically and aesthetically innovative products, the Group managed to consolidated its market shares”



"The economic and capital solidity of Panariagroup, together with our long-standing R&D capacity – continued Mussini – will allow us not only to maintain our excellent position in western markets, but also to look with confidence at the development of those emerging markets where we currently have a limited presence, but which have considerable potential for the future."

REVENUES

Revenues from sales are more or less in line with the previous year, going from 284.5 million Euro at 31 December 2009 to 285.2 million Euro at 31 December 2010 (+0.7 million Euro, +0.24%).

The situations in the Group's various markets differ quite considerably in sales terms:

EUROPE - the incidence of European markets on total turnover comes to 42%. Total sales amounted to 121.4 million Euro, down by 4.6% on 2009 (-5.8 million Euro). Despite good recoveries in the second half of 2010, the European markets are the ones that are suffering more the impact of the downturn, especially in the West, where the decline in sales came to 6.5 million Euro (-5.6%), whereas Eastern European markets turned in growth of 1 million Euro (+15.7%).

ITALY – the incidence of the Italian market on total turnover is 29%. With a turnover of 83.1 million Euro, the Italian market behaved in the same way as the other main Western European markets, turning in a decline in 2010 compared with 2009 of 4.8 million euro (- 5.4%). This is mainly due to stagnation in property investment and a stock of houses on the market that is in excess of demand.

NORTH AMERICA – the incidence of the North American market on total turnover is 23%. This market was already showing interesting signs of recovery in the main economic indicators towards the end of 2009. In this area the Group achieved net sales of 67.5 million Euro with an increase of 8.9 million Euro on the previous year (+15.3%).

ASIA AND OCEANIA – During 2010, these markets reported an increase of 1.8 million Euro on the previous year (+10.9%).

PROFIT MARGINS

The gross operating profit in 2010 comes to 28.2 million Euro, which is 9.7% of the value of production, achieving a considerable increase of 7.1 million Euro on 2009 (21.1 million Euro in 2009, equal to 7.9% of the value of production).

The main factors behind this recovery in Group profitability are:

- less expensive natural gas, the price of which fell on average by 7% compared with the previous year. This advantage was partially absorbed by higher electricity prices, which went up by 4% on average;
- the increase in volumes produced compared with 2009, which led to a reduction in unit costs, particularly fixed costs;
- a reduction in the purchase price of raw materials, partly due to lower transport costs;
- lower marketing costs following an optimisation of promotional and merchandising investments.



The net operating profit in 2010 amounts to 6.5 million Euro with a net growth of 6.3 million Euro on 2009 (0.2 million Euro).

NET CONSOLIDATED RESULT

The consolidated net profit for 2010 comes to 1.4 million with respect to a consolidated net loss of 4.6 million Euro in 2009, an improvement of 6 million Euro.

FINANCIAL POSITION

The net financial position shows a negative balance of 78.6 million Euro at the end of 2010, with a positive change of 8.2 million Euro on the start of the year; the distinct progress is due to the good operating results and better cash flow, together with a careful policy of capital investment.

EQUITY

Group equity amounts to 150.2 million Euro at 31 December 2010 compared with 146.5 million Euro at 31 December 2009.

OUTLOOK FOR GROUP OPERATIONS

In a context like the current one that features a high level of uncertainty, recent events like the earthquake in Japan, the political crises in certain north African countries and the economic and politic difficulties of Portugal do not leave much room for high expectations of an economic recovery. This situation also suggests potential tensions in raw material prices and energy tariffs, to which our industry is particularly sensitive.

The Group will therefore continue to implement policies that aim to optimize efficiency by holding down costs and keeping debt under control, at the same time maintaining an important focus on innovation and dedicating renewed energy to business development in the emerging areas where the Group's current presence is limited.

NOTICE OF CALLING OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Board of Directors of Panariagroup approved the resolutions and gave the necessary mandates to call the ordinary and extraordinary shareholders' meeting of the Company, with notice published on 16 March 2011 on the Company's website (www.panariagroup.it), on the Gazzetta Ufficiale and on the website of Borsa Italiana S.p.A. The meeting will be held at the Company's head office in Via Panaria Bassa 22/a, Finale Emilia, (Modena) at first calling on 28 April 2011 at 10.30 a.m., and, if necessary, at second calling on 29 April 2011 at the same time and place.

The Shareholders' Meeting will be invited to decide on the following agenda:

Extraordinary part

1. Amendment to the Articles of Association in order to bring them into line with the provisions introduced by Decree 27 of 27 January 2010. Related resolutions.

Ordinary part

1. Approval of the financial statements at 31 December 2010. Related resolutions.
2. Appointment of the Board of Directors after determining the number of members and their remuneration. Related resolutions.
3. Renewal of the authorization to purchase and sell treasury shares. Related resolutions.



RENEWAL OF THE AUTHORIZATION TO PURCHASE AND SELL TREASURY SHARES

As of today, the Parent Company Panaria holds 432,234 treasury shares (equal to 0.953 % of share capital) with a par value of 0.50 Euro per share. If this proposal is authorized, it will be possible to buy and sell the Company's ordinary shares up to a maximum of 10% of the present share capital, less the 432,234 shares currently held, in accordance with the law and the regulations issued by Borsa Italiana, art. 144-bis of the Issuers' Regulation 11971/99 and subsequent amendments, as well as the rules contained in EU Directive 2003/6/CE and Regulation CE 2273/2003. If authorized, any purchases will have to be made on the Regulated Market prior to the shareholders' meeting that will approve the financial statements at 31 December 2011.

Purchases to service stock option plans or convertible debt instruments will have to be made on the market according to operating methods that do not allow direct matching of purchase offers with certain sale offers. Such purchases will also have to be made at a price that is not higher than the reference price of the stock posted at the stock exchange session preceding each single transaction and not more than 20% lower than the market price posted by the stock at the stock exchange session preceding each single transaction. Any other purchases will have to be carried out on the market according to operating methods that do not allow direct matching of purchase offers with certain sale offers. Such purchases will also have to be made at a price that is not more than 20% higher and not more than 20% lower than the market price posted by the stock at the stock exchange session preceding each single transaction. The maximum number of treasury shares that can be purchased each day will not be more than 25% of the daily average volume of Panaria shares traded on the market. The maximum outlay for the purchase of treasury shares cannot exceed the available reserves shown in the latest approved financial statements. The reasons for which this authorization has been requested are: corporate purposes that are allowed by current regulations, such as to provide incentives for the directors, employees and collaborators of the Company and/or its subsidiaries and to increase their sense of loyalty to the firm; to meet commitments deriving from debt instruments that can be converted into or exchanged for shares; to carry out subsequent purchases and sales within the limits of permitted market practice; and to carry out extraordinary or strategic operations for the Company involving the exchange of shares or payment of the consideration in shares.

CORPORATE GOVERNANCE

During the same meeting, the Board of Directors approved the annual report on corporate governance and the ownership structure in accordance with art. 123-bis of the Decree of 24 February 1998 and art. 89-bis of the Issuers' Regulation 11971/99 and subsequent amendments. This report will be made available on the website of Borsa Italiana S.p.A and of the Company (www.panariagroup.it) by the legal deadline.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

In order to implement certain provision introduced by Decree 27 of 27 January 2010, which incorporated the Shareholders' Rights Directive, and Decree 39 of 27 January 2010, which incorporated the Audit Directive, the Board of Directors proposed to the Extraordinary Shareholders' Meeting to revise certain sections of the Articles of Association and approved the report containing the proposed amendments; this report, which has been prepared in accordance with art. 72 of Consob Resolution 11971 of 14 May 1999, will be filed with Borsa Italiana S.p.A. and on the Company's website (www.panariagroup.it) as required by law.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mr. Damiano Quarta, pursuant to para. 2 of art. 154 bis of the Consolidated Finance Act, declares that the accounting information contained in this press release agrees with the balances shown in the books of account, accounting entries and supporting documentation.

Attachments: Separate and consolidated balance sheet and income statement



Contact: Barabino & Partners
Claudio Cosetti
c.cosetti@barabino.it
Tommaso Filippi
t.filippi@barabino.it
Tel. 02/72.02.35.35
Fax 02/89.00.519

Milan, 25 March 2011

PANARIAGROUP

CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)

ASSETS	31/12/2010	31/12/2009
CURRENT ASSETS	229,646	229,587
Inventories	134,943	130,367
Trade Receivables	83,647	87,478
Due from tax authorities	5,717	3,629
Other current assets	3,011	3,657
Cash and cash equivalents	2,328	4,456
NON-CURRENT ASSETS	117,245	122,604
Goodwill	12,789	12,789
Intangible assets	3,187	3,376
Property, plant and equipment	90,218	95,572
Financial assets	10,773	10,580
Deferred tax assets	0	0
Other non-current assets	278	287
TOTAL ASSETS	346,891	352,191
LIABILITIES	31/12/2010	31/12/2009
CURRENT LIABILITIES	124,915	124,135
Due to banks and other sources of finance	37,823	38,766
Trade payables	59,947	57,104
Due to tax authorities	3,310	3,664
Other current liabilities	23,835	24,601
NON-CURRENT LIABILITIES	71,803	81,542
Employee severance indemnities	6,440	6,710
Deferred tax liabilities	2,438	2,918
Provisions for risks and charges	7,856	7,756
Due to banks and other sources of finance	54,509	63,634
Other non-current liabilities	560	524
TOTAL LIABILITIES	196,718	205,677
EQUITY	150,173	146,514
Share capital	22,678	22,678
Reserves	126,051	128,444
Net profit for the year	1,444	(4,608)
TOTAL LIABILITIES AND EQUITY	346,891	352,191

PANARIAGROUP

CONSOLIDATED FINANCIAL STATEMENT

INCOME STATEMENT - IFRS

(THOUSANDS OF EURO)

	31/12/2010		31/12/2009	
REVENUES FROM SALES AND SERVICES	285,179	97.5%	284,490	105.8%
Change in inventories of finished products	3,111	1.1%	(20,608)	-7.7%
Other revenues	4,210	1.4%	5,106	1.9%
VALUE OF PRODUCTION	292,500	100.0%	268,988	100.0%
Raw materials	(76,087)	-26.0%	(67,471)	-25.1%
Services, leases and rentals	(115,761)	-39.6%	(108,718)	-40.4%
<i>of which, related party transactions</i>	(5,096)	-1.7%	(5,048)	-1.9%
Personnel costs	(69,863)	-23.9%	(68,036)	-25.3%
Change in inventories of raw materials	405	0.1%	(832)	-0.3%
Other operating expenses	(2,941)	-1.0%	(2,822)	-1.0%
PRODUCTION COSTS	(264,247)	-90.3%	(247,879)	-92.2%
GROSS OPERATING PROFIT	28,253	9.7%	21,109	7.8%
Amortisation and depreciation	(17,402)	-5.9%	(17,139)	-6.4%
Provisions and writedowns	(4,371)	-1.5%	(2,964)	-1.1%
Non recurring Provisions and Writedowns	-	0.0%	(788)	-0.3%
NET OPERATING PROFIT	6,480	2.2%	218	0.1%
Financial income (expense)	(2,058)	-0.7%	(4,732)	-1.8%
PRE-TAX PROFIT	4,422	1.5%	(4,514)	-1.7%
Income taxes	(2,978)	-1.0%	(94)	0.0%
NET PROFIT	1,444	0.5%	(4,608)	-1.7%
BASIC AND DILUTED EARNING PER SHARE	0.03		(0.10)	

The percentages shown in the schedule refer to the proportion of value of production.

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT
CASH FLOW STATEMENT - IFRS
(THOUSANDS OF EURO)

	31st December	
	2010	2009
A - OPERATIONS		
Net Result of the period	1.444	(4.608)
Amortisation, depreciation and impairments	17.402	17.339
Deferred tax liabilities (assets)	(480)	(395)
Net change in provisions	3.828	2.868
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	22.194	15.204
(Increase)/Decrease in trade receivables	1.548	7.554
(Increase)/Decrease in inventories	(6.291)	21.695
(Increase)/Decrease in trade payables	2.843	(7.974)
Net change in other current assets/liabilities	(2.471)	(6.383)
<i>Cash flow (absorption) from operations due to changes in working capital</i>	(4.371)	14.892
TOTAL (A) CASH FLOW FROM OPERATIONS	17.823	30.096
B - INVESTMENT ACTIVITY		
Net investment in tangible and intangible assets	(10.607)	(15.918)
Net investment in financial assets	-	-
Exchange difference on tangible and intangible assets	(1.252)	532
TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY	(11.859)	(15.386)
C - FINANCING ACTIVITY		
Increase in capital	-	-
Distribution of dividends	-	(1.348)
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	-
Net change in loans	(4.505)	32.454
TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES	(4.505)	31.106
Opening net cash (indebtedness)	(23.277)	(68.078)
Change in the translation reserve	2.215	(1.015)
Net change in net short-term cash (indebtedness) (A+B+C)	1.459	45.816
Closing net cash (indebtedness)	(19.603)	(23.277)
Supplementary information		
Interest paid	1.662	2.468
Income taxes paid	3.605	2.747

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

STATEMENT OF FINANCIAL POSITION

(Amounts expressed in Euro)

ASSETS	31/12/2010	31/12/2009
CURRENT ASSETS	166,940,342	167,020,722
Inventories	86,160,626	81,341,846
Trade Receivables	71,992,723	75,699,840
Due from tax authorities	5,364,563	3,198,263
Other current assets	3,224,237	4,916,551
Cash and cash equivalents	198,193	1,864,222
NON-CURRENT ASSETS	121,671,355	127,817,754
Intangible assets	1,232,527	1,424,067
Property, plant and equipment	40,769,477	45,391,136
Financial assets	63,713,183	67,212,183
Deferred tax assets	0	0
Other non-current assets	15,956,168	13,790,368
TOTAL ASSETS	288,611,697	294,838,476
LIABILITIES	31/12/2010	31/12/2009
CURRENT LIABILITIES	97,703,351	96,477,941
Due to banks and other sources of finance	33,872,892	34,328,808
Trade payables	42,641,675	40,073,605
Due to tax authorities	2,085,179	3,199,699
Other current liabilities	19,103,605	18,875,829
NON-CURRENT LIABILITIES	53,493,218	63,026,643
Employee severance indemnities	6,297,933	6,588,272
Deferred tax liabilities	133,898	293,020
Provisions for risks and charges	7,137,072	7,009,959
Due to banks and other sources of finance	39,895,054	49,080,770
Other non-current liabilities	29,261	54,622
TOTAL LIABILITIES	151,196,569	159,504,584
EQUITY	137,415,128	135,333,892
Share capital	22,677,646	22,677,646
Reserves	112,656,247	114,133,846
Net profit for the year	2,081,235	(1,477,600)
TOTAL LIABILITIES AND EQUITY	288,611,697	294,838,476

PANARIAGROUP Industrie Ceramiche S.p.A.
FINANCIAL STATEMENT

INCOME STATEMENT

(Amounts expressed in Euro)

	31/12/2010		31/12/2009	
REVENUES FROM SALES AND SERVICES	176,152,291	96.1%	185,558,966	107.0%
Change in inventories of finished products	4,976,359	2.7%	(15,045,305)	-8.7%
Other revenues	2,220,716	1.2%	2,882,491	1.7%
VALUE OF PRODUCTION	183,349,366	100.0%	173,396,152	100.0%
Raw materials	(44,967,897)	-24.5%	(39,531,316)	-22.8%
Services, leases and rentals	(74,358,633)	-40.6%	(72,473,227)	-41.8%
<i>of which, related party transactions</i>	<i>(5,096,501)</i>	<i>-2.8%</i>	<i>(5,048,296)</i>	<i>-2.9%</i>
Personnel costs	(44,749,513)	-24.4%	(42,691,319)	-24.6%
Change in inventories of raw materials	404,440	0.2%	(831,880)	-0.5%
Other operating expenses	(1,503,512)	-0.8%	(1,372,585)	-0.8%
PRODUCTION COSTS	(165,175,115)	-90.1%	(156,900,327)	-90.5%
GROSS OPERATING PROFIT	18,174,251	9.9%	16,495,825	9.5%
Amortisation and depreciation	(11,214,654)	-6.1%	(10,578,602)	-6.1%
Provisions and writedowns	(3,860,644)	-2.1%	(1,495,413)	-0.9%
NET OPERATING PROFIT	3,098,953	1.7%	4,421,810	2.6%
Financial income (expense)	787,057	0.4%	(5,793,741)	-3.3%
PRE-TAX PROFIT	3,886,010	2.1%	(1,371,931)	-0.8%
Income taxes	(1,804,775)	-1.0%	(105,669)	-0.1%
NET PROFIT	2,081,235	1.1%	(1,477,600)	-0.9%
BASIC AND DILUTED EARNING PER SHARE	0.05		(0.03)	

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

FINANCIAL STATEMENT

CASH FLOW STATEMENT - IFRS

(THOUSANDS OF EURO)

	December 31, 2010	December 31, 2009
A - OPERATIONS		
Net Result	2,081	(1,478)
Amortisation and depreciation	11,214	10,579
Deferred tax liabilities (assets)	(159)	(2)
Net change in the provision for severance indemnities	(290)	(174)
Net change in provisions	3,614	1,302
Investments depreciation	3,500	7,200
(Increase)/Decrease in dividends by controlled companies not yet paid	990	990
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	<i>20,950</i>	<i>18,417</i>
(Increase)/Decrease in trade receivables	1,935	6,739
(Increase)/Decrease in inventories	(6,534)	14,646
(Increase)/Decrease in trade payables	2,569	(4,520)
Net change in other current assets/liabilities	(2,377)	(1,736)
<i>Cash flow (absorption) from operations due to changes in working capital</i>	<i>(4,407)</i>	<i>15,129</i>
TOTAL (A) CASH FLOW FROM OPERATIONS	16,543	33,546
B - INVESTMENT ACTIVITY		
Net investment in tangible assets	(5,872)	(11,766)
Net investment in intangible assets	(529)	(686)
Net investment in financials assets	(1)	-
TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY	(6,402)	(12,452)
C - FINANCING ACTIVITY		
Increase in capital	-	-
Distribution of dividends	-	(1,347)
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	-
Net change in loans	(4,072)	28,182
Net change in other financing activities/liabilities	-	-
Net change in intercompany loans	(2,166)	(4,674)
TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES	(6,238)	22,161
Opening net cash (indebtedness)	(23,391)	(66,646)
Net change in net short-term cash (indebtedness) (A+B+C)	3,903	43,255
Closing net cash (indebtedness)	(19,488)	(23,391)
Supplementary information		
Interest paid	1,498	2,236
Income taxes paid	2,309	976

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