



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2011

- Net Revenues amounted to 72.4 million Euros.
- Gross operating profit amounted to 6.4 million Euros.
- Net operating profit amounted to 1.6 million Euros
- Pre-tax result amounted to 0.2 million Euros
- Consolidated net loss of the period was 0.4 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 Quarterly Report as of March 31st 2011, in accordance with the International Financial Reporting Standard (IFRS).

The first quarter 2011, nonetheless the persistent difficulties of the Ceramic Industry, showed a good increase in sales higher than 5%; this result has to be considered as extremely positive and the consequences have been immediately reflected on the gross operating margin, that went up of 12%.

Even with these good performances, the final result is a net loss, due exclusively to the significant depreciation of the US currency that determined a negative economic effect of 1.6 million dollar in comparison with the first quarter 2010: while last year we realized a gain on foreign currency for 1.1 million Euros, this year we had a loss of 0.5 million Euros.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	31/3/2011	31/3/2010	var. €
Revenues from sales and services	72,375	68,708	3,667
Value of production	75,494	70,016	5,478
Gross operating profit	6,389	5,695	0,694
Net operating profit	1,606	0,669	0,937
Consolidated net profit (loss)	(0,351)	(0,158)	(0,193)

“The results obtained in the first quarter of 2011 – said Emilio Mussini, Chairman of Panariagroup – showed a good growth in sales and confirmed the solidity of our business, even in an economic context still characterized by uncertainty on future scenarios”.

“The actions taken by the Group – continued Mussini – will operate on 3 main directions: the development of sales in emerging countries, the evolution in product innovation and the cost optimization searching an higher productive efficiency and the containment of the structural costs”.



REVENUES

The **Net sales** reported a growth of **5.3%** going from 68.8 million Euros as of 31st March 2010 up to 72.4 million Euros as of 31st March 2011 (+ 32.7 million Euros).

On all the main markets our Group realized encouraging performances, less marked in European Countries and in a more consistent manner in the other areas.

EUROPE – The share of the European markets on the consolidated sales is around 41%. The Western Countries of the European markets are still the ones with less dynamicity for our industry; nonetheless this situation, excluding Portuguese market, penalized by the negative economic and politic environment, we observed positive results in the main nations, such as Germany, France and Austria.

ITALY – The share of the European markets on the consolidated sales is around 29%. The Italian market, after 3 negative years, showed in the first quarter 2011 a good increase of 3.5%, driven mainly by the new laminated gres products that confirmed their strategic importance for the Group. We consider the result obtained in the Italian market as really positive considering the important crisis that still is involving our country.

USA – The share of the US market on the consolidated sales is around 21%. The sales of the first quarter on the US market confirmed the increasing trend that accompanied all 2010; in fact on this area the growth was higher than 10%. In total, the most relevant contribution to this result is attributable to the controlled company Florida Tile, but also the Italian Brands are operating in the US market with brilliant results.

ASIA, OCEANIA and AFRICA - Also the so called Overseas areas reached good results with a growth of more than 20%, with an increase of 1.0 million Euro. The commercial reorganization on these areas, through the creation of the new dedicated structure Panariagroup Trade, started to bring the first developing results.

FINANCIAL RESULTS

The **Gross operating profit** was 6.4 million Euros, which represents 8.5% of the Value of Production with an increase of 0.7 million Euros.

The factors that mainly determined the level of profitability:

- The increase in sales that, associated to the stability of the average prices, generated higher margins
- The increase in volume of production in respect with the first quarter 2010 (+8%) that enabled an higher efficiency in our plants and bring to a reduction of the unitary costs in particular regard with the fixed costs (personnel, leasing, etc.)
- As opposite effect, we observed an increase in energy costs and of some important raw material prices (feldspar, zirconium oxide)

The **Net operating profit** was 1.6 million Euros (0.7 million Euros as of 31st March 2010), with an important increase of 0.9 million Euros.



The **Consolidated Net Loss** amounted to about 0.4 million Euros.

NET FINANCIAL POSITION

The Net Financial Position as of 31st March 2011 reported a negative balance of about 85.2 million Euros.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 147.8 millions Euros at 31st March 2011, from 148.3 million Euros at 31st March 2010.

OPERATIONAL OUTLOOK FOR THE GROUP

The recovery signs observed in last quarter of 2010 alimanted an optimistic view that contributed to the good increase in sales realized in first quarter 2011; now, the important events of recent months, such as the earthquake in Japan, the political crises in some countries of North Africa and the persistent difficulties of Portugal and of other UE countries, slowed down the expectations of a real turnaround of the economy, bringing new uncertainty on future scenarios.

In order to go through the difficulties of this economic context, our Group is operating on 3 main directions: the development of sales in areas still low covered but with a great potential (emerging countries), the evolution in product innovation, testified by the new investment in laminated gres and the cost optimization searching an higher productive efficiency and the containment of the structural costs.

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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Milano, 13rd May 2011

	31/3/2011	31/12/2010	31/3/2010
Inventories	135,440	134,943	132,107
Accounts Receivable	90,319	83,647	92,780
Other current assets	8,846	8,095	6,841
CURRENT ASSETS	234,605	226,685	231,728
Accounts Payables	(60,098)	(59,947)	(58,658)
Other current liabilities	(27,807)	(27,145)	(28,298)
CURRENT LIABILITIES	(87,905)	(87,092)	(86,956)
NET WORKING CAPITAL	146,700	139,593	144,772
Goodwill	12,789	12,789	12,789
Intangible assets	2,926	3,187	3,383
Tangible assets	86,923	90,218	93,606
Equity Investments and other financial fixed assets	0,004	0,004	0,004
FIXED ASSETS	102,642	106,198	109,782
Receivables due after the following year	0,270	0,278	0,291
Provisions for termination benefits	(6,423)	(6,440)	(6,633)
Provisions for risks and charge and deferred taxes	(9,609)	(10,294)	(10,868)
Other payables due after the year	(0,536)	(0,560)	(0,576)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	(16,298)	(17,016)	(17,786)
NET CAPITAL EMPLOYED	233,044	228,775	236,768

Short term financial assets	(3,571)	(2,328)	(4,850)
Short term financial debt	49,900	37,190	41,254
NET SHORT TERM FINANCIAL DEBT	46,329	34,862	36,404
Mid-long term financial debt	38,894	43,740	52,111
NET FINANCIAL POSITION	85,223	78,602	88,515
Group Shareholders' Equity	147,821	150,173	148,253
SHAREHOLDERS' EQUITY	147,821	150,173	148,253
TOTAL SOURCES OF FUNDS	233,044	228,775	236,768

YTD	31/3/2011	%	31/3/2010	%	var.
Revenues from sales and services	72,375	95,87%	68,708	98,13%	3,667
Changes in inventories of finished products	1,963	2,60%	0,419	0,60%	1,544
Other revenues	1,156	1,53%	0,889	1,27%	0,267
Value of Production	75,494	100,00%	70,016	100,00%	5,478
Raw, ancillary and consumable materials	(20,936)	-27,73%	(18,282)	-26,11%	(2,654)
Services, leases and rentals	(29,183)	-38,66%	(27,808)	-39,72%	(1,375)
Personnel costs	(18,367)	-24,33%	(17,641)	-25,20%	(0,726)
Changes in inventories of raw materials	0,073	0,10%	0,061	0,09%	0,012
Other operating expenses	(0,692)	-0,92%	(0,651)	-0,93%	(0,041)
Cost of production	(69,105)	-91,54%	(64,321)	-91,87%	(4,784)
Gross operating profit	6,389	8,46%	5,695	8,13%	0,694
D&A expenses	(4,091)	-5,42%	(4,394)	-6,28%	0,303
Provisions and impairments	(0,692)	-0,92%	(0,632)	-0,90%	(0,060)
Non-recurring Provisions	0,000	0,00%	0,000	0,00%	0,000
Net operating profit	1,606	2,13%	0,669	0,96%	0,937
Financial income and expense	(1,424)	-1,89%	0,156	0,22%	(1,580)
Pre-tax profit	0,182	0,24%	0,825	1,18%	(0,643)
Income taxes	(0,533)	-0,71%	(0,983)	-1,40%	0,450
Net profit for the period	(0,351)	-0,47%	(0,158)	-0,23%	(0,193)
Cash Flow	4,432	5,87%	4,868	6,95%	(0,436)