



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A.: The Board of Directors approves the draft financial statements at 31 December 2011.

- Consolidated net revenues from sales and services of 291.4 million Euro (285.2 million Euro in 2010).
- Gross operating profit of 25.6 million Euro (28.3 million Euro in 2010).
- Net operating profit of 5 million Euro (6.5 million Euro in 2010).
- Consolidated net profit of 1.6 million Euro (1.4 million Euro in 2010).

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 approved the draft financial statements at 31 December 2011, prepared in compliance with International Financial Reporting Standards (IFRS).

In a context still characterised by the ongoing impact of the economic downturn in those countries where the Group carries on most of its production and commercial activities, Panariagroup managed to achieve good results in 2011, thanks to higher industrial efficiency, substantial stability in sales prices and a moderate increase in turnover, while maintaining a solid capital and financial structure despite hefty strategic investments.

In 2011 consolidated revenues from sales amounted to 291.4 million Euro, an increase of 2.2% on 2010 (+6.2 million Euro). This is an excellent result considering the difficulties encountered in European markets, which were adversely affected by the delicate state of the economy, which has heavily penalised industry, ours included.

The second porcelain gres laminate production line was completed at the Fiorano Modenese plant during 2011 and has been up and running since September 2011. Customers' appreciation of this product can be explained by its technical characteristics, as it is lighter, more resistant and more versatile thanks to the use of innovative technology that allows us to make gres ceramic sheets in very large formats (up to 3m x 1m) that are extremely thin (only 3mm). The Group is currently the largest manufacturer of this type of product in the world.

CONSOLIDATE FINANCIAL STATEMENTS - KEY FIGURES

(in thousands of Euro)

Nature	31/12/2011	31/12/2010	change €
Revenues from sales and services	291,397	285,179	6,218
Value of production	303,636	292,500	11,136
Gross operating profit	25,627	28,253	(2,626)
Net operating profit	4,955	6,480	(1,525)
Consolidated net profit	1,551	1,444	107



"Thanks to its solid positioning at the luxury, top-end of the market and the attested skill to propose innovative products - declared **Emilio Mussini, Chairman of Panariagroup** - in 2011 Panariagroup managed to achieve a good increase in volumes in the domestic market, even in an unfavourable economic context, together with growth in foreign markets as well."

"Our Group - concluded **Mussini** - continued to do research and development during 2011, both through applied research in our laboratories and through the adoption of advanced production technologies, trusting that the successful outcome of these innovations will benefit sales as well as the Group's overall results. We believe that these innovations will generate an increase of our market shares with higher benefits also on our profitability. "

REVENUES

Net revenues from sales in 2011 come to 294.1 million Euro compared with 285.2 million Euro at 31 December 2010, an increase of 2.2% (+6.2 million Euro).

In terms of sales in the various areas of reference, our Group has managed to hold up well, with good growth both in Italy and in Asia:

EUROPE- European markets account for 40% of total turnover. Turnover has remained more or less stable in all of the main European countries, excluding Portugal; significant increases were recorded in German-speaking countries such as Germany, Austria and Switzerland and certain Eastern European countries.

ITALY- the Italian market accounts for 29% of total turnover. There has been good growth (3.2%) on the Italian market; this figure is extremely positive when compared with the performance of the sector which, according to recent surveys by Confindustria Ceramica, lost 3.1% in 2011. The Group's innovative products, particularly those in porcelain gres laminate, have helped increase our presence in the domestic market, despite the contraction in investment in both residential and commercial construction.

NORTH AMERICA- the North American market accounts for 22% of total turnover. The U.S. market reported an increase in US dollar sales of more than 10%. This is attributable not only to a good performance on the part of Florida Tile, the U.S. subsidiary, but also to good results on the part of the Italian brands.

The improvement in 2011 follows the good growth achieved in the previous year, giving more impetus to the positive trend. This, together with the positive signals (consumption, employment, cash) coming from the U.S. economy in the last quarter, creates good expectations for the coming year.

ASIA AFRICA AND OCEANIA – Thanks to the Group's commercial organisation, overseas markets (Asia, Oceania and Africa) have achieved excellent growth in 2011, with turnover up by 4.6 million Euro compared with 2010.

PROFIT MARGINS

In 2011, gross operating profit came to 25.6 million Euro, equal to 8.4% of sales (28.3 million Euro at 31 December 2010).

The following factors have had a negative impact on Group margins compared with 2010:



- The increase in energy prices of electricity and natural gas; the increases for the European business units came to 10.1% and 22.4% respectively, hitting the income statement for an extra 3.6 million Euro;
- the increase in raw material prices (for feldspar and zirconium) and higher costs for their transport, with an impact on the income statement of 1.3 million Euro.

The net operating profit in 2011 comes to 5 million Euro (6.5 million Euro at 31 December 2010).

NET CONSOLIDATED RESULT

The consolidated net profit in 2011 amounts to 1.6 million Euro.

ALLOCATION OF NET PROFIT FOR 2011

The draft separate financial statements at 31 December 2011 closed with a net profit of Euro 2,177,076.

The allocation of the 2011 net profit approved and proposed by the Board of Directors on 15 March 2012 is as follows:

- 5% to the legal reserve
- the balance to the extraordinary reserve.

FINANCIAL POSITION

The net financial position shows a negative balance of 84.8 million Euro at the end of 2011, with a negative change of 6.2 million Euro on the start of the year.

Two factors have contributed to this result:

- reimbursement to the tax authorities of the Euro 4 million tax benefit linked to the incentives given to newly listed companies in 2005, which was subsequently considered State Aid by the European Community;
- the sizeable increase in capital expenditure linked to construction of the new porcelain gres laminate line at the Fiorano Modenese plant.

EQUITY

Group equity amounts to 153.3 million Euro at 31 December 2011 compared with 150.1 million Euro at 31 December 2010.

OUTLOOK FOR GROUP OPERATIONS

The beginning of 2012 was characterized by strong tensions linked to the government debts of certain countries in the Euro-zone that have continued to push financial markets up and down, while helping to undermine the expectations of recovery from the economic crisis in Western countries.



Despite the current uncertainty, there persists within the Group an awareness that the world market can still offer good opportunities for growth, particularly in those markets that we still only cover to a limited extent and which the Group is concentrating on more and more.

Even in traditional markets, our policy of continuous technical and aesthetic innovation of the Group's products will deliver significant benefits to maintain market share in the current difficult economic environment.

NOTICE OF CALLING OF SHAREHOLDERS' MEETING

The Board of Directors of Panariagroup approved the resolutions and gave the necessary mandates to call the ordinary shareholders' meeting of the Company, with notice that will be published by 23 March 2012 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 24 April 2012 at 10.30 a.m., and, if necessary, at second calling on 26 April 2012 at the same time and place.

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

1. Approval of the financial statements at 31 December 2011. Related resolutions
2. Remuneration report. Resolutions pursuant to art. 123 -ter of Decree 58/1998 (CFA)
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 2012.

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.

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

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Milan, 15 March 2012

PANARIAGROUP

CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)

<i>rif</i>	<u>ASSETS</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
	CURRENT ASSETS	235.321	229.646
1.a	Inventories	142.134	134.943
1.b	Trade Receivables	82.997	83.647
1.c	Due from tax authorities	3.578	5.717
1.d	Other current assets	3.511	3.011
1.e	Cash and cash equivalents	3.101	2.328
	NON-CURRENT ASSETS	119.638	117.245
2.a	Goodwill	12.789	12.789
2.b	Intangible assets	2.697	3.187
2.c	Property, plant and equipment	92.221	90.218
2.d	Financial assets	10.473	10.773
2.e	Deferred tax assets	1.197	0
2.f	Other non-current assets	261	278
	TOTAL ASSETS	354.959	346.891
	LIABILITIES	31/12/2011	31/12/2010
	CURRENT LIABILITIES	138.781	124.915
3.a	Due to banks and other sources of finance	49.969	37.823
3.b	Trade payables	62.306	59.947
3.c	Due to tax authorities	2.324	3.310
3.d	Other current liabilities	24.182	23.835
	NON-CURRENT LIABILITIES	62.925	71.803
4.a	Employee severance indemnities	6.175	6.440
4.b.	Deferred tax liabilities	0	2.438
4.c	Provisions for risks and charges	3.578	7.856
4.d	Due to banks and other sources of finance	49.127	54.509
4.e	Other non-current liabilities	4.045	560
	TOTAL LIABILITIES	201.706	196.718
5	EQUITY	153.253	150.173
	Share capital	22.678	22.678
	Reserves	129.024	126.051
	Net profit for the year	1.551	1.444
	TOTAL LIABILITIES AND EQUITY	354.959	346.891

PANARIAGROUP

CONSOLIDATED FINANCIAL STATEMENT

INCOME STATEMENT - IFRS

(THOUSANDS OF EURO)

<i>rif</i>		31/12/2011		31/12/2010	
6.a	REVENUES FROM SALES AND SERVICES	291.397	96,0%	285.179	97,5%
	Change in inventories of finished products	6.199	2,0%	3.111	1,1%
6.b	Other revenues	6.040	2,0%	4.210	1,4%
	VALUE OF PRODUCTION	303.636	100,0%	292.500	100,0%
7.a	Raw materials	(81.440)	-26,8%	(76.087)	-26,0%
7.b	Services, leases and rentals	(123.044)	-40,5%	(115.761)	-39,6%
	<i>of which, related party transactions</i>	(5.132)	-1,7%	(5.096)	-1,7%
7.c	Personnel costs	(70.701)	-23,3%	(69.863)	-23,9%
	Change in inventories of raw materials	165	0,1%	405	0,1%
7.d	Other operating expenses	(2.989)	-1,0%	(2.941)	-1,0%
	PRODUCTION COSTS	(278.009)	-91,6%	(264.247)	-90,3%
	GROSS OPERATING PROFIT	25.627	8,4%	28.253	9,7%
8.a	Amortisation and depreciation	(17.621)	-5,8%	(17.402)	-5,9%
8.b	Provisions and writedowns	(3.051)	-1,0%	(4.371)	-1,5%
	NET OPERATING PROFIT	4.955	1,6%	6.480	2,2%
9.a	Financial income (expense)	(2.954)	-1,0%	(2.058)	-0,7%
	PRE-TAX PROFIT	2.001	0,7%	4.422	1,5%
10.a	Income taxes	(450)	-0,1%	(2.978)	-1,0%
	NET PROFIT	1.551	0,5%	1.444	0,5%
	BASIC AND DILUTED EARNING PER SHARE	0,03		0,03	

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

	31st December	
	2011	2010
A - OPERATIONS		
Net Result of the period	1.551	1.444
Amortisation, depreciation and impairments	17.621	17.402
Deferred tax liabilities (assets)	(3.635)	(480)
Net change in tax provision for "state aid"	(3.999)	-
Net change in provisions	1.682	3.828
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	<i>13.220</i>	<i>22.194</i>
(Increase)/Decrease in trade receivables	(1.205)	1.548
(Increase)/Decrease in inventories	(7.562)	(6.291)
(Increase)/Decrease in trade payables	2.359	2.843
Net change in other current assets/liabilities	4.522	(2.471)
<i>Cash flow (absorption) from operations due to changes in working capital</i>	<i>(1.886)</i>	<i>(4.371)</i>
TOTAL (A) CASH FLOW FROM OPERATIONS	11.334	17.823
B - INVESTMENT ACTIVITY		
Net investment in tangible and intangible assets	(18.804)	(10.607)
Net investment in financial assets	-	-
Exchange difference on tangible and intangible assets	(332)	(1.252)
TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY	(19.136)	(11.859)
C - FINANCING ACTIVITY		
Increase in capital	-	-
Distribution of dividends	-	-
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	-
Net change in loans	(537)	(4.505)
TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES	(537)	(4.505)
Opening net cash (indebtedness)	(19.603)	(23.277)
Change in the translation reserve	1.529	2.215
Net change in net short-term cash (indebtedness) (A+B+C)	(8.339)	1.459
Closing net cash (indebtedness)	(26.413)	(19.603)

PANARIAGROUP INDUSTRIE CERAMICHE S.p.A.

FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

(amounts expressed in Euro)

<i>Rif</i>	<u>ASSETS</u>	<u>31/12/2011</u>	<u>31/12/2010</u>
	CURRENT ASSETS	155.037.755	166.940.342
1.a	Inventories	82.657.313	86.160.626
1.b	Trade Receivables	66.854.289	71.992.723
1.c	Due from tax authorities	1.496.565	5.364.563
1.d	Other current assets	2.959.960	3.224.237
1.e	Cash and cash equivalents	1.069.628	198.193
	NON-CURRENT ASSETS	144.640.208	121.671.355
2.a	Intangible assets	919.789	1.232.527
2.b	Property, plant and equipment	42.892.239	40.769.477
2.c	Financial assets	70.926.670	63.713.183
2.d	Deferred tax assets	3.196.003	0
2.e	Other non-current assets	26.705.507	15.956.168
	TOTAL ASSETS	299.677.963	288.611.697
	LIABILITIES	31/12/2011	31/12/2010
	CURRENT LIABILITIES	110.046.612	97.703.351
3.a	Due to banks and other sources of finance	44.752.191	33.872.892
3.b	Trade payables	43.143.997	42.641.675
3.c	Due to tax authorities	2.032.736	2.085.179
3.d	Other current liabilities	20.117.688	19.103.605
	NON-CURRENT LIABILITIES	50.039.147	53.493.218
4.a	Employee severance indemnities	6.094.890	6.297.933
4.b	Deferred tax liabilities	0	133.898
4.c	Provisions for risks and charges	2.578.623	7.137.072
4.d	Due to banks and other sources of finance	37.905.034	39.895.054
4.e	Other non-current liabilities	3.460.600	29.261
	TOTAL LIABILITIES	160.085.759	151.196.569
5	EQUITY	139.592.204	137.415.128
	Share capital	22.677.646	22.677.646
	Reserves	114.737.482	112.656.247
	Net profit for the year	2.177.076	2.081.235
	TOTAL LIABILITIES AND EQUITY	299.677.963	288.611.697

PANARIAGROUP INDUSTRIE CERAMICHE S.p.A.

INCOME STATEMENT

(amounts expressed in Euro)

	31/12/2011		31/12/2010	
REVENUES FROM SALES AND SERVICES	185.464.830	99,5%	176.152.291	96,1%
Change in inventories of finished products	(3.218.446)	-1,7%	4.976.359	2,7%
Other revenues	4.128.786	2,2%	2.220.716	1,2%
VALUE OF PRODUCTION	186.375.170	100,0%	183.349.366	100,0%
Raw materials	(47.202.418)	-25,3%	(44.967.897)	-24,5%
Services, leases and rentals	(77.532.351)	-41,6%	(74.358.633)	-40,6%
<i>of which, related party transactions</i>	<i>(5.132.483)</i>	<i>-2,8%</i>	<i>(5.096.501)</i>	<i>-2,8%</i>
Personnel costs	(45.667.656)	-24,5%	(44.749.513)	-24,4%
Change in inventories of raw materials	165.833	0,1%	404.440	0,2%
Other operating expenses	(1.931.823)	-1,0%	(1.503.512)	-0,8%
PRODUCTION COSTS	(172.168.415)	-92,4%	(165.175.115)	-90,1%
GROSS OPERATING PROFIT	14.206.755	7,6%	18.174.251	9,9%
Amortisation and depreciation	(11.053.397)	-5,9%	(11.214.654)	-6,1%
Provisions and writedowns	(1.264.866)	-0,7%	(3.860.644)	-2,1%
NET OPERATING PROFIT	1.888.492	1,0%	3.098.953	1,7%
Financial income (expense)	338.636	0,2%	787.057	0,4%
PRE-TAX PROFIT	2.227.128	1,2%	3.886.010	2,1%
Income taxes	(50.052)	0,0%	(1.804.775)	-1,0%
NET PROFIT	2.177.076	1,2%	2.081.235	1,1%
BASIC AND DILUTED EARNING PER SHARE	0,05		0,05	

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

CASH FLOW STATEMENT - IFRS

(amounts expressed in Euro)

	31 december 2011	31 december 2010
A - OPERATIONS		
Net Result	2.177	2.081
Amortisation and depreciation	11.054	11.214
Deferred tax liabilities (assets)	(3.330)	(159)
Net change in the provision for severance indemnities	(203)	(290)
Net change in tax provision for State aid	(3.999)	-
Net change in other provision	326	3.614
Investments depreciation	-	3.500
Dividends by controlled companies not yet paid	1.188	990
<i>Cash flow (absorption) from operations prior to changes in working capital</i>	<i>7.213</i>	<i>20.950</i>
(Increase)/Decrease in trade receivables	4.253	1.935
(Increase)/Decrease in inventories	3.504	(6.534)
(Increase)/Decrease in trade payables	502	2.569
Net change in other current assets/liabilities	7.339	(2.377)
<i>Cash flow (absorption) from operations due to changes in working capital</i>	<i>15.598</i>	<i>(4.407)</i>
TOTAL (A) CASH FLOW FROM OPERATIONS	22.811	16.543
B - INVESTMENT ACTIVITY		
Net investment in tangible assets	(12.598)	(5.872)
Net investment in intangible assets	(266)	(529)
Net investment in financials assets	(7.214)	(1)
TOTAL (B) CASH FLOW (ABSORPTION) FROM INVESTMENT ACTIVITY	(20.078)	(6.402)
C - FINANCING ACTIVITY		
Increase in capital	-	-
Distribution of dividends	-	-
Other changes in equity	-	-
(Purchase) Sale of treasury shares	-	-
Net change in loans	3.620	(4.072)
Net change in other financing activities/liabilities	-	-
Net change in intercompany loans	(10.750)	(2.166)
TOTAL (C) CASH FLOW (ABSORPTION) FROM FINANCING ACTIVITIES	(7.130)	(6.238)
Opening net cash (indebtedness)	(19.488)	(23.391)
Net change in net short-term cash (indebtedness) (A+B+C)	(4.397)	3.903
Closing net cash (indebtedness)	(23.885)	(19.488)
Supplementary information		
Interest paid	2.001	1.498
Income taxes paid	6.161	2.309

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