



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2012

- Net Revenues amounted to 71.7 million Euros (72.3 million Euros at 31st March 2011).
- Gross operating profit amounted to 6.8 million Euros (6.3 million Euros at 31st March 2011).
- Net operating profit amounted to 2.2 million Euros (1.6 million Euros at 31st March 2011).
- Consolidated net profit of the period was 0.4 million Euros (-0.4 million Euros at 31st March 2011).

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 31st March 2012, in accordance with the International Financial Reporting Standard (IFRS).

The first Quarter 2012, despite the ongoing economic downturn, particularly acute on important areas such as the Italian and European markets, closed with an improvement in profitability, particularly welcome in view of the fact that there was another significant increase in energy prices in the first quarter of 2012 (+21% on first Quarter 2011).

The main factors that have contributed to this improvement are the rising level of appreciation for porcelain gres laminate products, which have a higher value added, and the further progress made in the results of American business unit, which is reaping the full benefits of the reorganisation carried out in previous years in a market context that is showing more substantial signs of recovery.

With the target to increase further our presence in emerging markets, Panariagroup signed a joint venture agreement with one of the main players (Asian Granito) of India, by forming a new company owned 50/50 by the two partners.

With the JVC it was created a new brand for the Indian market called "Bellissimo – Stile Italiano", registered and owned by Panariagroup. The Mission of Bellissimo is the realisation and trading of high-end and luxury ceramic material for floor and wall, joining the Italian style, technology and know-how with the more sophisticated needs of Indian architecture.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	31/3/2012	31/3/2011	var. €
Revenues from sales and services	71,649	72,375	-0,726
Value of production	76,435	75,494	+0,941
Gross operating profit	6,782	6,389	+0,393
Net operating profit	2,240	1,606	+0,634
Consolidated net profit (loss)	0,368	-0,351	+0,719



“The results of the first Quarter– said Emilio Mussini, Chairman of Panariagroup – show a good increase in profitability confirming the ability of our Group to catch the best development opportunities on the different international markets”.

“The strategy of the Group – continued Mussini – move along three main directions: the defence of our market shares in the less dynamic markets, the increase in sales in the American market and the development of new initiative on emerging markets, still in great expansion”.

REVENUES

The Net sales were equal to 71.7 million Euros at 31st March 2012, with a decrease of 1.0% on the same period of 2011.

During the quarter, our major markets have been showing very different trends: on the one hand, the American and Asian markets are seeing encouraging signs of growth and on the other hand Italy and Europe continue to show signs of sufferance.

EUROPE – The share of the European markets on the consolidated sales is around 37%. The European market has contracted by around 10%; this decrease has been brought about by particularly penalising results in the Portuguese market, followed by the French and Dutch markets, only partially offset by growth in the German market and certain Eastern European countries.

ITALY – The share of the Italian market on the consolidated sales is around 26%. The Italian market, as confirmed by recent surveys carried out by Confindustria Ceramica, is experiencing a moment of severe contraction that has affected all operators in the property sector. The climate of economic uncertainty affecting our country has been further burdened by the austerity measures introduced by the government, with particular reference to the taxes that are due to hit real estate, contributing to a further slowdown in that sector. In this situation, our Group has experienced a 10% decline in sales.

USA – The share of the US market on the consolidated sales is around 25%. The U.S. market confirms the important growth trend that characterised the previous two years: sales have gone up by more than 18%. This improvement is largely due to the American subsidiary, Florida Tile, which thanks to investments in previous years, has achieved a competitive position that ranks us one of the most important players in America.

ASIA, OCEANIA and AFRICA - The share of these markets on the consolidated sales is around 12%. They had excellent performances where the improvement compared with the first quarter of 2011 comes close to 30%. Also in this case, the commercial reorganisation carried out by the Group to take advantage of the development opportunities that we had identified there, is bearing fruit.



FINANCIAL RESULTS

The **Gross operating profit** was 6.8 million Euros, which represents 8.9% of the Value of Production with an improvement of 0.4 million Euros.

The higher operating profitability is the result of the following:

- an improvement in the results of the American business unit, which achieved a considerable increase in EBITDA;
- the higher production efficiencies made possible by doubling of the production line dedicated to porcelain gres laminate in the last quarter of 2011.

However, these improvements have been offset by a further increase in energy costs at the Italian and Portuguese plants and the decline in profitability of the Portuguese business unit.

The **Net operating profit** was 2.2 million Euros, with an improvement of 0.6 million Euros.

NET CONSOLIDATED RESULT

The **Consolidated Net Profit** amounted to 0.4 million Euros, improving of 0.8 million from the first Quarter 2011 that closed with a consolidated loss.

NET FINANCIAL POSITION

The Net Financial Position as of 31st March 2012 reported a negative balance of about 94.5 million Euros.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 152.3 million Euros at 31st March 2012 while it was equal to 147.8 million Euros at 31st March 2011.

OPERATIONAL OUTLOOK FOR THE GROUP

Given that the various areas of the world economic scenario are moving at different speeds, we have decided to adopt different strategies.

On more mature and less dynamic markets, particularly Italy and Western Europe, our aim is to maintain market share and rationalise marketing investments.

On the U.S. market, having completed the reorganisation, the present corporate structure allows us to be very competitive and responsive in taking advantage of the positive trend in the market.

On emerging markets, which are still booming, there are major development initiatives currently underway that involve reorganising the business model and operations of an extraordinary nature, such as the recent Indian joint venture, which gives us an opportunity to create a larger, tangible presence in markets that would otherwise be difficult to penetrate.

These three different commercial approaches have a common element in a particular strength of ours, namely our ability to innovate both the technology and the aesthetics of our products, an area where our constant efforts and investments have never ceased.



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

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

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Reclassified balance sheet

(in thousands of euro)

	March 31, 2012	December 31, 2011	March 31, 2011
Inventories	145,053	142,134	135,440
Accounts Receivable	87,477	82,997	90,319
Other current assets	7,722	6,436	8,846
CURRENT ASSETS	240,252	231,567	234,605
Accounts Payables	(61,814)	(62,306)	(60,098)
Other current liabilities	(27,004)	(26,506)	(27,807)
CURRENT LIABILITIES	(88,818)	(88,812)	(87,905)
NET WORKING CAPITAL	151,434	142,755	146,700
Goodwill	12,789	12,789	12,789
Intangible assets	2,587	2,697	2,926
Tangible assets	91,389	92,221	86,923
Equity Investments and other financial fixed assets	5	5	4
FIXED ASSETS	106,770	107,712	102,642
Receivables due after the following year	255	261	270
Provisions for termination benefits	(6,048)	(6,175)	(6,423)
Provisions for risks and charge and deferred taxes	(1,520)	(2,381)	(9,609)
Other payables due after the year	(4,033)	(4,045)	(536)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	(11,346)	(12,340)	(16,298)
NET CAPITAL EMPLOYED	246,858	238,127	233,044

Short term financial assets	(2,347)	(3,101)	(3,571)
Short term financial debt	53,508	49,316	49,900
NET SHORT TERM FINANCIAL DEBT	51,161	46,215	46,329
Mid-long term financial debt	43,391	38,659	38,894
NET FINANCIAL POSITION	94,552	84,874	85,223
Group Shareholders' Equity	152,306	153,253	147,821
SHAREHOLDERS' EQUITY	152,306	153,253	147,821
TOTAL SOURCES OF FUNDS	246,858	238,127	233,044

3.1 Income statement : comparison between 31 March 2012 and 31 March 2011

(in thousands of euro)

	I Quarter 2012	%	I Quarter 2011	%	var.
Revenues from sales and services	71,649	93.74%	72,375	95.87%	(726)
Change in inventories of finished products	3,218	4.21%	1,963	2.60%	1,255
Other revenues	1,568	2.05%	1,156	1.53%	412
Value of Production	76,435	100.00%	75,494	100.00%	941
Raw, ancillary and consumable materials	(20,685)	-27.06%	(20,936)	-27.73%	251
Services, leases and rentals	(30,214)	-39.53%	(29,183)	-38.66%	(1,031)
Personnel costs	(18,476)	-24.17%	(18,367)	-24.33%	(109)
Change in inventories of raw materials	375	0.49%	73	0.10%	302
Other operating expenses	(653)	-0.85%	(692)	-0.92%	39
Cost of production	(69,653)	-91.13%	(69,105)	-91.54%	(548)
Gross operating profit	6,782	8.87%	6,389	8.46%	393
Amortisation and depreciation	(4,263)	-5.58%	(4,091)	-5.42%	(172)
Provisions and impairments	(279)	-0.37%	(692)	-0.92%	413
Net operating profit	2,240	2.93%	1,606	2.13%	634
Financial income and expense	(1,308)	-1.71%	(1,424)	-1.89%	116
Pre-tax profit	932	1.22%	182	0.24%	750
Income taxes estimated	(564)	-0.74%	(533)	-0.71%	(31)
Net profit for the period	368	0.48%	(351)	-0.47%	719
Cash Flow	4,910	6.42%	4,432	5.87%	478