



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2013

- Net Revenues amounted to 66.7 million Euros.
- Gross operating profit amounted to 5.1 million Euros.
- Net operating profit amounted to 0.7 million Euros.
- Consolidated net loss of the period was 0.1 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 Quarterly Report as of 31st March 2013, in accordance with the International Financial Reporting Standard (IFRS).

The European real estate crisis, already highlighted throughout 2012, also negatively impacted the first quarter of 2013, resulting in a reduction in turnover for the Italian and Portuguese business units, with direct consequences on profitability.

The positive trend of the US business unit continues, partially offsetting negative effects in the European markets. In the first quarter of 2013, this unit had sales growth of 12%, with a further improvement in profit, in a market in which the signs of recovery already noted in 2012 are increasingly confirmed.

Sales of laminated stoneware were also positive and confirmed a growth trend, with excellent levels of profitability.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	31/3/2013	31/3/2012	var. €
Revenues from sales and services	66,654	71,649	(4.995)
Value of production	70,302	76,435	(6,134)
Gross operating profit	5,076	6,782	(1,707)
Net operating profit	0,729	2,240	(1,512)
Consolidated net profit (loss)	(0,074)	0,368	(0,443)

“The excellent results in the US market, the fruit of years of commitment and investments – said Emilio Mussini, Chairman of Panariagroup – bear witness to the fact that the decision to undertake not only short-term, but longer term, policies results in significant strategic and lasting benefits”.

“The strategy of the Group – continued Mussini – continues to move along this main direction, with many of our efforts toward a further internationalization of the Group activity, through trade agreements, joint ventures and any other agreements that can ensure our presence in markets with the best development”.



REVENUES

The Net sales were equal to 66.7 million Euros at 31st March 2013, with a decrease of 7.0% on the same period of 2012.

There was a decrease in turnover in all markets except for the US market. In Europe, this contraction is closely correlated with well-established economic issues, already discussed last year, which were considered in forecasts for the year under way.

ITALY – The share of the Italian market on the consolidated sales is around 25%. This result is in line with the sector figure, as confirmed by the recent Italian Association of Ceramics report. Recent developments in internal policies and the reduction of interest rates by the ECB should contribute to restoring a climate of greater trust in the coming months, with resulting positive effects in our sector as well.

EUROPE – The share of the European markets on the consolidated sales is around 35%. The overall trend of the European markets was similar to that of the Italian market, with a decrease in sales of 13%. Sales on the markets in France, Germany and the Netherlands are down, but great difficulty continues especially in the Portuguese market, down 24%.

USA – The share of the US market on the consolidated sales is around 31%. The result is positive for all distribution channels, but the performance of the Florida Tile network of shops is particularly notable, with an increase in sales of almost 20%. Expectations for the rest of the year remain very positive, with the support of sector macroeconomic data which forecast good trends for the following 12 months.

ASIA, SOUTH AMERICA, OCEANIA and AFRICA - There was a drop in the first quarter of 2013, in contrast with the positive trends throughout 2012. Moreover, it should be noted that there was a concentration of deliveries for some extremely significant orders in Asia in the first quarter of 2012 (the best of the entire year). In the coming months (as occurred in April), the negative gap can be recovered due to the entry of new important construction sites. In South America, an important partnership has begun with one of the largest Brazilian ceramic companies. With regard to development in new markets, positive signals are also being received from the African markets, where the Group is launching promising trade initiatives.

FINANCIAL RESULTS

The **Gross operating profit** was 5.1 million Euros, which represents 7.2% of the Value of Production with a decrease in respect with the 6,8 million at 31st March 2012.

The decrease in sales was caused by a drop in square metres sold, while the average price remained steady. Therefore, the reduced in profitability is due to the higher impact of fixed overhead costs on sales.

With regard to input costs, in particular energy costs, price decreases are expected in the coming months, which will result in a positive recovery in profitability.

The **Net operating profit** was 0.7 million Euros (2.2 million Euros at 31st March 2012).



NET CONSOLIDATED RESULT

The **Consolidated Net Loss** amounted to 0.1 million Euros (Profit of 0.4 million at 31st March 2012).

NET FINANCIAL POSITION

The Net Financial Position as of 31st March 2013 reported a negative balance of about 102.4 million Euros. Following our Cash Planning, we foresee an improvement in the rest of the year.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 155.2 million Euros at 31st March 2013 while it was equal to 152.3 million Euros at 31st March 2012.

OPERATIONAL OUTLOOK FOR THE GROUP

Currently, although penalized by an evidently unfavourable economic situation in the Group's main European markets, we continue our efforts aimed at internationalization through trade agreements, joint ventures and any other agreements that can ensure our presence in markets with the best development outlooks and we believe that, as occurred in the US market, those efforts can generate significant benefits in the medium term.

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, 15th May 2013



Reclassified balance sheet

(in thousands of Euro)

	March 31, 2013	December 31, 2012	March 31, 2012
Inventories	146,749	144,591	145,053
Accounts Receivable	77,491	72,048	87,477
Other current assets	15,585	16,038	7,722
CURRENT ASSETS	239,825	232,677	240,252
Account Payables	(57,267)	(59,772)	(61,814)
Other current liabilities	(24,340)	(25,459)	(27,004)
CURRENT LIABILITIES	(81,607)	(85,231)	(88,818)
NET WORKING CAPITAL	158,218	147,446	151,434
Goodwill	8,139	8,139	12,789
Intangible assets	2,411	2,425	2,587
Tangible assets	91,851	91,625	91,389
Equity Investments and other financial assets	475	361	5
FIXED ASSETS	102,876	102,550	106,770
Receivables due after following year	625	441	255
Provision for termination benefits	(5,916)	(5,843)	(6,048)
Provision for risk and charge and deferred taxes	4,526	3,823	(1,520)
Other payables due after the year	(2,601)	(2,575)	(4,033)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(3,366)	(4,154)	(11,346)
NET CAPITAL EMPLOYED	257,728	245,842	246,858
Short term financial assets	(2,746)	(4,559)	(2,347)
Short term financial debt	47,703	37,116	53,508
NET SHORT TERM FINACIAL DEBT	44,957	32,557	51,161
Mid-Long term financial debt	57,532	59,590	43,391
NET FINANCIAL POSITION	102,489	92,147	94,552
Group Shareholders' Equity	155,239	153,695	152,306
SHAREHOLDERS' EQUITY	155,239	153,695	152,306
TOTAL SOURCES OF FOUNDS	257,728	245,842	246,858



Income statement

(in thousands of Euro)

	March 31, 2013		March 31, 2012		var.
		%		%	
Revenues from sales and services	66,654	94.81%	71,649	93.74%	(4,995)
Change in inventories of finished products	1,761	2.5%	3,218	4.21%	(1,457)
Other revenues	1,887	2.68%	1,568	2.05%	319
Value of production	70,302	100.00%	76,436	100.00%	(6,134)
Raw, ancillary and consumable materials	(18,362)	-26.12%	(20,685)	-27.06%	2,323
Services, leases and rentals	(27,468)	-39.07%	(30,214)	-39.53%	2,746
Personnel costs	(18,526)	-26.35%	(18,476)	-24.17%	(50)
Change in inventories of raw materials	(183)	-0.26%	375	0.49%	(558)
Other operating expenses	(687)	-0.98%	(653)	-0.85%	(34)
Cost of production	(65,226)	-92.78%	(69,653)	-91.13%	4,427
Gross operating profit	5,076	7.22%	6,783	8.87%	(1,707)
Amortisation and depreciation	(4,156)	-5.91%	(4,263)	-5.58%	107
Provisions and expenses	(191)	-0.27%	(279)	-0.37%	88
Net operating profit	729	1.04%	2,241	2.93%	(1,512)
Financial income and expense	(560)	-0.80%	(1,308)	-1.71%	748
Pre-tax profit	169	0.24%	933	1.22%	(764)
Income taxes estimated	(243)	-0.35%	(564)	-0.74%	321
Net Result for the period	(74)	-0.11	369	0.48%	(443)