PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Financial Report as of 30th June 2013

- Net Revenues amounted to 141.4 million Euros.
- Gross operating profit amounted to 10.9 million Euros.
- Net Operating profit amounted to 1.6 million Euros.
- Pre-tax result near zero.
- Consolidated net loss of the period was 0.9 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 Financial Report as of 30th June 2013, in accordance with the International Financial Reporting Standard (IFRS).

In the first half of 2013, the performance of the international economy continued to have a mixed trend, with stagnation in Europe, recovery trends in US market and an overall economic positive trend for the emerging Countries, such as Asia and Africa.

In this environment, the Group's revenues contracted with respect to the 1st Half of 2012, mainly because of the decline in sales volumes, only partly offset by a slight improvement in prices.

The negative trend in the European Market was partially balanced by the growth realised in the US area, now the first market for the Group, equal to 11.5% on the same period of the previous year, with a further improvement in profitability.

FINANCIAL HIGHLIGHTS
(thousand Euros)

	30/6/2012	**30/6/2012**	**var. €**
Revenues from sales and services	141,401	148,555	(7,154)
Value of production	145,467	149,582	(4,115)
Gross operating profit	10,918	12,087	(1,169)
Net operating profit	1,613	(0,272)	1,885
Pre-tax result	29	(1,774)	1,803
Consolidated net profit (loss)	(0,863)	0,179	(1,042)

"After one year – said Emilio Mussini, Chairman of Panariagroup – we can state that we have positively overcome the repercussions of the earthquake, which were not merely economic after completing - in 2012 - the work necessary to repair the facilities and industrial buildings, during the half year reconstruction work started on the Headquarters office building in Finale Emilia; work is expected to be completed by the end of the year, and it will enable the Finale site to fully resume work".

"In an economic context still difficult and uncertain, in particular in Italy and Europe – continued Mussini –our policy of internationalization continues and allow us to catch the opportunities where market are growing or are recovering. Our sales in US, today our first market, are growing at double digit rates and are improving in profitability; the *start up* in India is proceeding in line with our programs and the partnership in Brazil should give us an interesting development in the medium term".

REVENUES

The **Net sales** were equal to 141.4 million Euros, with a decrease of 4,8% on the same period of 2012.

Turnover has been characterised by two distinct factors, on one hand the excellent growth in the American market, and on the other, the decrease, sometimes significant, on the other markets.

USA – The US market, broadly confirmed as the foremost market for the Group, had total revenues of Euro 43.2 million, up by 11.5% compared to the same period of 2012. Revenues increased both for the Italian brands and the American brand Florida Tile. The favourable market conditions, associated with the consolidated, efficient sales and manufacturing organisation of the US Business Unit, are the reasons for the constant improvement in revenue and margin performance. The USA market accounts for 31% of total sales.

EUROPE – The European market experienced an overall contraction of 13.0% with a share on total sales of 34%.. The critical situation is persisting in Portugal, where consumption has collapsed in recent years, and where the current situation, characterised by high unemployment, by the credit crunch and by the tax squeeze does not allow to expect any positive changes, at least in the short term. The decline on the Portuguese market was compounded by revenue reductions in the other major markets where we operate, and in particular in France, Germany, Netherlands and Spain.

ITALY – The Italian market, which had contracted by 12% in the first quarter, reduced its gap with an overall contraction of 8% compared to the first half of 2012, substantially in line with the average figure for the industry. The real estate crisis in our Country, which was thought to have peaked in 2012, in fact shows no sign of abating in 2013 as well.
The Italian market accounts for 26% of total revenues.

ASIA. OCEANIA and AFRICA – On the other markets (Asia, South America, Oceania and Africa), in the first quarter of 2013 we had pointed out that the significant decline in revenues (i.e., 20%) was mostly due to the concentration of the deliveries connected with certain major Asian orders in the first quarter of 2012. In the second quarter of 2013, instead, performance was substantially aligned with the previous year, thus enabling a reduction in the gap and bringing the overall decline in revenues to 10%.
We confirm that we expect a further significant recovery in these markets in upcoming months.
"Other markets" account for 9% of total sales.

FINANCIAL RESULTS

The gross operating profit of Euro 10.9 million accounts for 7.5% of the value of production, with a decline of Euro 1.2 million.

The drop in margins derives from the lower revenues generated, not countered by positive trends on the front of the costs of raw materials and energy, which remained substantially stable, whilst the level of production declined slightly.

During the half year, the economic benefits of the increased in-sourcing of cutting, grinding and polishing work, with more limited use of outside suppliers, started to become evident.

The net operating profit amounted to Euro 1.6 million, versus a loss of Euro 0.3 million in 2012. It should be pointed out that the result of the first half of 2012 had been particularly affected by the extraordinary cost item “Net charges for earthquake reconstruction”, amounting to Euro 3 million related to the damages caused by the earthquake that had hit the Finale Emilia plant.

PRE-TAX PROFIT

The pre-tax result is substantially balanced (loss of Euro 1.8 million to 30 June 2012).

The estimated taxes are negative by Euro 0.9 million, even with before-tax income near zero. This impact stems from the tax rate of the Italian Business Unit as a result of the IRAP scheme.

In the first half of 2012, instead, estimated taxes had a positive balance of Euro 1.9 million, influenced by the non-taxation of the insurance indemnity for the damages caused by the earthquake.

CONSOLIDATED NET PROFIT

The consolidated net Loss for the period amounts to Euro 0.9 million (profit of Euro 0.2 million in 2012).

NET FINANCIAL POSITION

The Net Financial Position worsened by Euro 6.0 million compared to 30 June 2012, as a result of the increase in working capital and in the capital expenditures carried out in the last 12 months.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 152.9 million Euros as of 30th June 2013.

RELEVANT EVENTS

We highlight that the application to obtain regional grants for expenses not covered by the insurance and for the investment to adequate the buildings to anti-seismic criteria, is being prepared.

In India, the start-up phase of the Joint-Venture continues according to schedule, with the establishment of the sales organisation and the final definition of the product range according to the initial feedback collected from the market;

In South America, during the half year, a significant commercial partnership was launched with one of the largest Brazilian players in the ceramics industry, to whom we will exclusively supply laminated stoneware products under the Panariagroup's brands throughout Brazil.

In the USA, the Lawrenceburg plant achieved the industrial performance targets that had been set after the installation of the second line in 2012 and which allow us to be ready to exploit the significant commercial opportunities that are progressively becoming more readily apparent in the United States market.

On the industrial capital expenditures front, of note is the implementation, at the Italian plants of Toano and Fiorano, of a sizeable expansion of the processing departments (grinding, cutting and

polishing) which enables us to handle internally certain activities that we previously outsourced. According to our estimates, the payback period of this investment, totalling Euro 2.5 million, is less than two years.
In the Portuguese Business Unit, activities to adapt the organisational structure to the current volume of revenues started in July. This initiative is mainly aimed at the reduction in the number of employees in the production, logistical and sales departments.
The initiative will lead to annual savings of approximately Euro 1.3 million, which should contribute to a significant improvement in the income of the Portuguese Business Unit.

OPERATIONAL OUTLOOK FOR THE GROUP

The planned production shut-downs, concentrated in the months of July, August and September, will inevitably lead to a decline in profitability in the third quarter of 2013, but on the other hand they will also decrease the levels of working capital and financial indebtedness, strengthening the Group's capital structure.

On the revenues front, instead, we expect positive trends compared to the second half of 2012, with confirmed growth on the American market and a partial recovery in the revenues of the other markets, which have already shown signs of progress in that direction in the second quarter of 2013.

As to the Group's medium term outlook, we deem that the ongoing activities to reduce working capital and financial indebtedness and to restructure the Portuguese Business Unit, as well as the other initiatives we are pursuing in Italy to improve our production, logistical and commercial efficiency will be the basis for an improvement in economic results, though we are aware that we operate in a macroeconomic environment that still has a significant amount of uncertainty.

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 Statement of Financial Position, Profit & Loss account

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	June 30, 2013	restated December 31, 2012	restated June 30, 2012
Inventories	144,585	144,591	143,301
Accounts Receivable	84,404	72,048	91,861
Other current assets	10,087	16,038	13,908
CURRENT ASSETS	**293,076**	**232,677**	**249,070**
Account Payables	(57,494)	(59,772)	(66,920)
Other current liabilities	(25,785)	(25,459)	(27,920)
CURRENT LIABILITIES	**(83,279)**	**(85,231)**	**(94,840)**
NET WORKING CAPITAL	**155,797**	**147,446**	**154,230**
Goodwill	8,139	8,139	12,789
Intangible assets	2,291	2,425	2,578
Tangible assets	90,887	91,625	95,715
Equity Investments and other financial assets	475	361	5
FIXED ASSETS	**101,792**	**102,550**	**111,087**
Receivables due after following year	719	441	276
Provision for termination benefits	(6,376)	(6,359)	(5,540)
Provision for risk and charge	(4,707)	(5,738)	(9,712)
Provision for deferred taxes	9,722	9,703	3,424
Other payables due after the year	(2,834)	(2,575)	(3,353)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(3,476)**	**(4,528)**	**(14,905)**
NET CAPITAL EMPLOYED	**254,113**	**245,468**	**250,412**
Short term financial assets	(7,548)	(4,559)	(2,388)
Short term financial debt	52,310	37,116	46,767
NET SHORT TERM FINACIAL DEBT	**44,762**	**32,557**	**44,379**
Mid-Long term financial debt	56,426	59,590	51,073
NET FINANCIAL POSITION	**101,188**	**92,147**	**95,452**
Group Shareholders' Equity	152,925	153,321	154,960
SHAREHOLDERS' EQUITY	**152,925**	**153,321**	**154,960**
TOTAL SOURCES OF FOUNDS	**254,113**	**245,468**	**250,412**

PANARIAgroup®
INDUSTRIE CERAMICHE S.P.A.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EURO)

	June 30, 2013	%	June 30, 2012	%
Revenues from sales and services	**141,401**	**97,20%**	**148,555**	**99,31%**
Change in inventories of finished products	364	0,25%	(2,071)	-1,38%
Other revenues	3,702	2,54%	3,098	2,07%
Value of production	**145,467**	**100,00%**	**149,582**	**100,00%**
Raw, ancillary and consumable materials	(39,235)	-26,97%	(39,749)	-26,57%
Services, leases and rentals	(57,060)	-39,23%	(61,185)	-40,90%
Personnel costs	(37,070)	-25,48%	(35,768)	-23,91%
Change in inventories of raw materials	(26)	-0,02%	523	0,35%
Other operating expenses	(1,158)	-0,80%	(1,316)	-0,88%
Cost of production	**(134,549)**	**-92,49%**	**(137,495)**	**-91,92%**
Gross operating profit	**10,918**	**7,51%**	**12,087**	**8,08%**
Amortisation and depreciation	(8,450)	-5,81%	(8,351)	-5,58%
Provisions and impairments	(855)	-0,59%	(1,008)	-0,67%
Net expense for earthquake reconstruction	–	0,00%	(3,000)	-2,01%
Net operating profit	**1,613**	**1,11%**	**(272)**	**-0,18%**
Financial income and expense	(1,584)	-1,09%	(1,502)	-1,00%
Pre-tax profit	**29**	**0,02%**	**(1,774)**	**-1,19%**
Income taxes estimated	(892)	-0,61%	1,953	1,31%
Net Profit for the period	**(863)**	**-0,59%**	**179**	**0,12%**