PRESS RELEASE

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

- Net Revenues amounted to 207.9 million Euros.
- Gross operating profit amounted to 10.4 million Euros.
- Consolidated net loss of the period was 5.2 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 30th September 2013, in accordance with the International Financial Reporting Standard (IFRS).

As previously stated in the Report on operations for the financial statements as at 30 June 2013, the third quarter ended with a loss. This outcome is mostly the result of policy decisions made by the Board of Directors which, focusing on sound financial management and debt reduction, significantly slowed production in European plants and promoted the sale of finished products with a low turnover rate.

As a result of these operations, the first positive effects on Net Working Capital and on the Net Financial Position are readily apparent, with a reduction of Euro 15.4 million in Net Working Capital and of Euro 8.5 million in Net Financial Debt compared to 30 June 2013.

Some positive signs can also be observed in revenue performance: the third quarter 2013 ended with a contraction of 2.1% compared to the third quarter 2012; the change on the cumulative figure, therefore, rose from -4.8% of the first quarter to the current -4.0%.

FINANCIAL HIGHLIGHTS
(thousand Euros)

	30/9/2013	**30/9/2012**	**var. €**
Revenues from sales and services	207,887	216,471	(8,584)
Value of production	204,408	218,445	(14,037)
Gross operating profit	10,363	14,392	(4,029)
Net operating profit	(3,481)	0,115	(3,596)
Consolidated net profit (loss)	(5,180)	0,438	(5,618)

“The planned production shut-downs, concentrated in the months of July, August and September,– said Emilio Mussini, Chairman of Panariagroup – led to a decline in profitability in the third quarter of 2013, but on the other hand they also enabled to decrease the levels of working capital and financial indebtedness, thus strengthening the Group's capital structure”.

“About sales - said the President - were planned several initiatives to strengthen our presence in the major European countries through a range of renewed products, with the contents of our traditional high end range, but more aggressive”

"Nonetheless the uncertain economic environment, the first effects of these important choices made by the Group – continued Mussini – allow us to look at the next years with higher confidence, expecting a reverse of the negative trends of the current year".

REVENUES

Revenues from sales were equal to Euro 207.9 million decreasing by 4.0% overall on 2012 figures.

USA – The US market is the Group's largest by a wide margin, with total revenues of Euro 66.2 million, up by 9.4% from the same period of 2012, even though third quarter revenues were negatively affected by the decline in the value of the US Dollar compared to the Euro, by approximately 6%. The US Business Unit is fully exploiting the strong signs of recovery in the construction industry, which are also confirmed with a view to the future by the most recent projections on Housing Starts (construction permits), which forecast 25% growth for 2014 (source: NAHB Housing / Economic Forecast).
The USA market accounts for 32% of total sales.

EUROPE –The challenges on European markets are confirmed: they contracted by more than 10%. In Portugal, where the Group is the market leader, consumption continues significantly to decline as a result of the high unemployment rate and of the credit crunch. The performance of the other major Western European Countries (France, Germany, the Netherlands and Spain) also worsened.
The European market accounted for 34% of total sales.

ITALY – The Italian market remained below the 2012 results (-6.1%), but it showed signs of improvement in the third quarter, which contracted only slightly (-1.4%) compared to the same period of 2012. The Group's results are substantially in line with the average figure for the industry.
The Italian market accounted for 24% of total revenues.

ASIA, SOUTH AMERICA, OCEANIA and AFRICA – The other markets (Asia, South America, Oceania and Africa) have exhibited an improving trend during the year: the first quarter, marked by a 20% decline, was followed by two quarters of growth (+1% and +5%, respectively), bringing the cumulative figure to an overall contraction by 5%. For the last quarter, we expect a further, significant recovery.
"Other markets" accounted for 10% of total sales.

FINANCIAL RESULTS

Gross operating profit came to Euro 10.4 million, representing 5.1% of the value of production (Euro 14.4 million at 30 September 2012).

The reduction in Gross operating profit is mainly due to two factors:

- Significant reduction in volumes produced compared to 2012, i.e. 7.4%, with an estimated contraction of Euro 2.5 million, because of the higher incidence of fixed costs. It should be stressed that over 80% of the reduction in the volumes produced occurred in the last quarter.
- Decline in the contribution margins of the Italian and Portuguese Business Units, due to the contraction in revenues.

Partially containing these negative effects, the profitability of the American Business Unit improved significantly, as a result of the increase in revenues.

The margin for the third quarter, as usual, was also significantly affected by the costs incurred to participate in the CERSAIE trade fair in Bologna: it is the most important trade fair in the world for the industry and it was held at the end of September. These costs, in accordance with international accounting standards, were fully recognised in the third quarter.

Moreover, in the course of the third quarter were also concentrated the non-recurring expenses connected to the significant reorganisation process carried out in Portugal, whose benefits are expected from the last quarter of 2013 onwards and, to a far greater extent, in the course of next year.

Net operating profit is negative by Euro 3.5 million (positive by Euro 0.1 million at 30 September 2012).

Depreciation and amortisation are substantially in line with the previous year.
In spite of the reduction in plant utilisation, connected with the shut-downs in the third quarter, "full" depreciation was calculated according to the original plan, in compliance with the reference accounting standards.

NET CONSOLIDATED RESULT

Consolidated Net Loss amounted to Euro 5.2 million.

NET FINANCIAL POSITION

The Net Financial Position has sharply improved compared to 30 June 2013, as debt was reduced by Euro 8.5 million, and it is thus substantially in line with the 2012 figure.

We expect the positive effects deriving from the stock rationalisation carried out in the course of the quarter, and to be continued through the final part of the year, to lead to a further improvement in the Net Financial Position.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 147.0 million Euros at 30th September 2013.

RELEVANT EVENTS

By the end of November, we will submit the application to obtain public contributions for the May 2012 earthquake in view of expenses not covered by insurance and of the costs for the earthquake-proofing investments made; the positive effect of this contribution on income will reasonably be recognised and accounted for by the first half of 2014.

OPERATIONAL OUTLOOK FOR THE GROUP

In the final quarter of the year, the focus will continue to be on reducing working capital; therefore, we expect this item to exhibit a similar trend to that of the third quarter, albeit to a lesser degree.

For 2014, while we are well aware that we have to operate in an economic environment that will not differ significantly from the current one, we expect to be able to benefit from certain major positive effects that will allow to reverse the negative trends of the current year.

In particular, the rationalisation and reorganisation of the production, logistical and commercial departments completed in Portugal in 2013 will bear concrete fruit, and savings exceeding Euro 2 million are expected for next year.

In Italy, too, organisational processes have been started, centralising certain administrative, logistical and commercial functions; the resulting benefits, mostly in terms of efficiency, are expected to become apparent in 2014.

We expect to save approximately 10% on energy costs, both in Italy and in Portugal; in 2014, a forecast decline in prices will be accompanied by the further benefits provided by recent governmental initiatives in favour of energy-intensive firms.

We are launching several initiatives to boost revenues: we will continue to focus sharply on the research and development of new, distinctive and top-range products, concentrating in particular on laminated stoneware, but in the meantime, especially in European markets, we have identified significant commercial opportunities, expanding our offering with mid-range products.

In light also of these initiative, the sale budgets for next year call for a higher utilisation rate for production plants, thus avoiding the significant penalisation that characterised the year 2013.

In addition to these positive factors for the European Business Units, for the United States we count on the continuation of the growing trend of recent years, thanks to a clearly positive macro-economic environment and to a reliable, well structured industrial and commercial organisation.

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 November 2013

Reclassified balance sheet

(in thousands of Euro)

	September 30, 2013	June 30, 2013	December 31, 2012	September 30, 2012
Inventories	133,171	144,585	144,591	141,639
Accounts Receivable	71,961	84,404	72,048	80,661
Other current assets	8,765	10,087	16,038	18,118
CURRENT ASSETS	**213,897**	**239,076**	**232,677**	**240,418**
Account Payables	(48,709)	(57,494)	(59,772)	(65,221)
Other current liabilities	(25,020)	(25,785)	(25,459)	(28,786)
CURRENT LIABILITIES	**(73,729)**	**(83,279)**	**(85,231)**	**(94,007)**
NET WORKING CAPITAL	**140,168**	**155,797**	**147,446**	**146,411**
Goodwill	8,139	8,139	8,139	12,789
Intagible assets	2,224	2,291	2,425	2,452
Tangible assets	89,413	90,887	91,625	93,805
Equity Investements and other financial assets	475	475	361	361
FIXED ASSETS	**100,251**	**101,792**	**102,550**	**109,407**
Receivables due after following year	711	719	441	268
Provision for termination benefits	(6,306)	(6,376)	(6,359)	(5,959)
Provision for risk and charge	(3,945)	(4,707)	(5,738)	(5,818)
Provision for deferred taxes	11,079	9,722	9,703	5,207
Other payables due after the year	(2,213)	(2,834)	(2,575)	(3,345)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**674**	**(3,476)**	**(4,528)**	**(9,647)**
NET CAPITAL EMPLOYED	**239,745**	**254,113**	**245,468**	**246,171**

Short term financial assets	(10,610)	(7,548)	(4,559)	(3,903)
Short term financial debt	47,772	52,310	37,116	47,543
NET SHORT TERM FINACIAL DEBT	**37,162**	**44,762**	**32,557**	**43,640**
Mid-Long term finacial debt	55,568	56,426	59,590	48,879
NET FINANCIAL POSITION	**92,730**	**101,188**	**92,147**	**92,519**
Group Shareholders' Equity	147,015	152,925	153,321	153,652
SHAREHOLDERS' EQUITY	**147,015**	**152,925**	**153,321**	**153,652**
TOTAL SOURCES OF FOUNDS	**239,745**	**254,113**	**245,468**	**246,171**

Income statement

(in thousands of Euro)

	September 30, 2013	%	September 30, 2012	%	var.
Revenues from sales and services	**207,887**	**101.70%**	**216,471**	**99.10%**	**(8,584)**
Change in inventories of finished produ(	(9,200)	-4.50%	(2,745)	-1.26%	(6,455)
Other revenues	5,721	2.80%	4,719	2.16%	1,002
Value of production	**204,408**	**100.00%**	**218,445**	**100.00%**	**(14,037)**
Raw, ancilary and consumable material:	(55,857)	-27.33%	(59,130)	-27.07%	3,273
Services, leases and rentals	(82,376)	-40.30%	(90,764)	-41.55%	8,388
Personnel costs	(53,413)	-26.13%	(52,660)	-24.11%	(753)
Change in inventories of raw materials	(333)	-0.16%	545	0.25%	(878)
Other operating expenses	(2,066)	-1.01%	(2,044)	-0.94%	(22)
Cost of production	**(194,045)**	**-94.93%**	**(204,053)**	**-93.41%**	**10,008**
Gross operating profit	**10,363**	**5.07%**	**14,392**	**6.59%**	**(4,029)**
Amortisation and depreciation	(12,757)	-6.24%	(12,925)	-5.92%	168
Provisions and expense	(1,087)	-0.53%	(1,352)	-0.62%	265
Net operating profit	**(3,481)**	**-1.70%**	**115**	**-0.05%**	**(3,596)**
Financial income and expense	(2,655)	-1.30%	(2,693)	-1.23%	38
Pre-tax profit	**(6,136)**	**-3.00%**	**(2,578)**	**-1.18%**	**(3,558)**
Income taxes estimated	956	0.47%	3,016	1.38%	(2,060)
Net Profit for the period	**(5,180)**	**-2.54%**	**438**	**0.20%**	**(5,618**