PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2014

- Net Revenues amounted to 67.9 million Euros.
- Gross operating profit amounted to 2.8 million Euros.
- Consolidated net loss of the period was 1.7 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 2014, in accordance with the International Financial Reporting Standard (IFRS).

The Group had a positive result in terms of revenues; in particular, we would like to stress the good performance of the Portuguese Business Unit (+9%) and of the American Business Unit (+8% in US Dollars, +4% translated into Euro), offset by the slight contraction of the Italian Business Unit (-1%).

However, the increase in revenues was not reflected in an improvement in margins which, instead, contracted compared to the first quarter of 2013. Essentially, three factors contributed to this result: the slight contraction in average prices, the destocking of finished products with low turnover rate, and the planned production shut-downs.

During the quarter, we continued to prioritise the goal of reducing working capital and financial indebtedness, on which significant progress had already been made in the second half of 2013.

The decision to proceed with the optimisation of Net Working Capital, carried out in the second half of 2013 and in the first quarter of 2014, was rewarded by the marked reduction in Financial Indebtedness, which declined from Euro 102.5 million in March 2013 to Euro 93.4 million in March 2014, with an improvement of Euro 9.1 million.

FINANCIAL HIGHLIGHTS
(thousand Euros)

	31/3/2014	**31/3/2013**	**var. €**
Revenues from sales and services	67,945	66,654	1,291
Value of production	67,536	70,302	(2,766)
Gross operating profit	2,796	5,076	(2,280)
Net operating profit	(1,315)	0,729	(2,044)
Consolidated net profit (loss)	(1,710)	(0,074)	(1,636)

“The strategy implemented in the second half of 2013 – said Emilio Mussini, Chairman of Panariagroup – continued to be pursued in the first quarter of 2014, enabling the Group to achieve satisfactory capital and financial parameters.”

“The current revenue breakdown – continued Mussini – enables us to operate, for a sizeable share of our turnover, in highly dynamic areas; this aspect, coupled with the signs of recovery that are starting to manifest themselves more clearly in the European continent as well, makes us more optimistic about our future sales performance.”

REVENUES

Revenues from sales increased, rising from Euro 66.6 million at 31 March 2013 to Euro 67.9 million at 31 March 2014 (Euro +1.3 million).

The Group is still confronting the weakness of major European markets, but growth on the American market and on emerging markets (Asia, Africa and Oceania) has been confirmed as consolidated.

USA – The USA market, the first reference Country for the Group, confirmed its good growth trend in US Dollars (+8%), which is less readily apparent on the consolidated financial statements as a result of the depreciation of the Dollar relative to the Euro since the first quarter of 2013 (-4%).
The main driver for growth was confirmed to be the distribution channel of Florida Tile stores, whose sales grew by 18%. It should be recalled that in the final months of 2013, a new store was opened in Dallas, with two more expected to be opened in 2014 in already identified areas.
The US market continues to be quite dynamic, and the industry's main macro-economic indicators confirm the positive expectations for upcoming months as well.
The US Market accounts for 31% of total revenues.

EUROPE – As a whole, European Markets were at a slightly lower level than last year; while all major countries were characterised by a declining trend last year, in the first quarter there were some significant positive notes, led by the Portuguese market. This market, where the Group is one of the main players thanks to the local presence of Gres Panaria Portugal, grew by 11% after years of decline.
European markets account for 34% of total sales.

ITALY – The Italian market contracted by approximately 5%, in line with the industry-wide provided in the recent report by Confindustria Ceramica (the Italian Association of Ceramics Manufacturers).
The negative trend of sales for the Ceramic Italian Companies is strictly connected with the persistent crisis of the domestic building industry, that doesn’t give signs of interruption.
The Italian market's share of total sales is 23%.

ASIA, SOUTH AMERICA, OCEANIA and AFRICA - The other markets (Asia, South America, Oceania and Africa) provide an extremely positive note in the quarter, with overall growth at 30%.
The marked improvement achieved has involved all continents: in Africa, revenues more than doubled; in Asia, growth was of the order of 20%; and in Oceania, growth was truly significant, at +75%.
The other markets account for 12% of total sales.

FINANCIAL RESULTS

Gross operating profit amounted to Euro 2.8 million, i.e. 4.1% of the Value of Production (Euro 5.1 million at 31 March 2013, or 7.2% of the Value of Production).

The main changes recorded relative to the first quarter of 2013 are due to:

- a decline in average prices, mainly for the changed mix of sales,
- the intensification of the destocking of inventories with low turnover rate at stock prices;
- the lower quantities produced compared to the first quarter 2013, which had a significant negative impact, in terms of margin, as a result of the higher incidence of fixed costs; the longer production shut-down, which also involved the American Business Unit, where plant modifications were carried out in January with the aim of expanding the range of items that can be manufactured in the Lawrenceburg plant;
- the improvement in the profitability of the Portuguese Business Unit as a result of the increase in revenues and of the significant cost savings deriving from the streamlining work carried out in 2013.

Net operating profit is negative by Euro 1.3 million (at 31 March 2013 it was positive by Euro 0.7 million).

The consolidated Net Result is a loss of Euro 1.7 million (versus a loss of Euro 0.1 million at 31 March 2013).

NET FINANCIAL POSITION

Net Financial Indebtedness grew by Euro 2.5 million compared to the start of the year, while it declined sharply (Euro -9.1 million) compared to March 2013.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 141.4 million Euros at 31st March 2014 while it was equal to 155.2 million Euros at 31st March 2013.

OPERATIONAL OUTLOOK FOR THE GROUP

After pursuing in the first quarter of 2014 a strategy oriented to achieve satisfactory capital and financial parameters, Panariagroup is now in the position to take the next steps in pursuit of objectives more closely tied to sales growth and to income results.

The American Business Unit has already been following a growth and improvement path for two years and we are convinced that it can assuredly continue along this road, where growth potential is still high in our view, also in light of the highly dynamic nature of the US environment.

The Portuguese Business Unit, after the significant reorganisation initiatives carried out in 2013, has already reached the set-up necessary to best exploit its growth potential, and we have already tangibly observed these effects in the first quarter of 2014, both in terms of sales and of income.

This stated, it is readily apparent that the most intensive reorganisation activities now need to be carried out in the Italian Business Unit; in this regard, several initiatives have already been started, both on the sales side and on the organisation, whilst others are planned for upcoming quarters.
In addition, an organisation dedicated to the development of the Private Label channel (toll manufacturing) has been set up; it will enable us to better exploit the production capacity of our European plants and it is already achieving significant results.

On some European areas, where we are currently not very active, we are extending the Panariagroup Trade model, which is obtaining excellent results in the current areas of responsibility.
The divisions of the Italian Business Unit's brands will be better coordinated and enhanced with the dual purpose of obtaining a reduction in costs and a significant increase in revenues, already in 2014.
Along with these initiatives of a commercial nature, cost containment activities in the production, logistical and administrative departments have already been partly started and will continue.
The economic returns of these initiatives are expected in the medium term.

On the strength of the results achieved in 2013 on the capital and financial front, we are convinced that the strategies implemented in the commercial and organisational fields will already yield tangible results in 2014.

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 2014

Reclassified balance sheet

(in thousands of Euro)

CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

	March 31, 2014	December 31, 2013	March 31, 2013
Inventories	125,044	128,274	146,749
Accounts Receivable	73,590	66,510	77,491
Other current assets	8,807	10,028	15,585
CURRENT ASSETS	**207,441**	**204,812**	**239,825**
Account Payables	(51,680)	(50,655)	(57,267)
Other current liabilities	(24,328)	(23,670)	(24,340)
CURRENT LIABILITIES	**(76,008)**	**(74,325)**	**(81,607)**
NET WORKING CAPITAL	**131,433**	**130,487**	**158,218**
Goodwill	8,139	8,139	8,139
Intagible assets	2,128	2,149	2,411
Tangible assets	88,684	90,358	91,851
Equity Investements and other financial assets	357	358	475
FIXED ASSETS	**99,308**	**101,004**	**102,876**
Receivables due after following year	963	952	625
Provision for termination benefits	(6,053)	(6,101)	(5,916)
Provision for risk and charge	(3,958)	(3,994)	(5,201)
Provision for deferred taxes	14,353	13,589	9,727
Other payables due after the year	(1,152)	(1,925)	(2,601)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**4,153**	**2,521**	**(3,366)**
NET CAPITAL EMPLOYED	**234,894**	**234,012**	**257,728**

Short term financial assets	(10,529)	(9,973)	(2,746)
Short term financial debt	50,573	44,931	47,703
NET SHORT TERM FINACIAL DEBT	**40,044**	**34,958**	**44,957**
Mid-Long term finacial debt	53,396	55,894	57,532
NET FINANCIAL POSITION	**93,440**	**90,852**	**102,489**
Group Shareholders' Equity	141,454	143,160	155,239
SHAREHOLDERS' EQUITY	**141,454**	**143,160**	**155,239**
TOTAL SOURCES OF FOUNDS	**234,894**	**234,012**	**257,728**

Income statement

(in thousands of Euro)

	March 31, 2014	%	March 31, 2013	%	var.
Revenues from sales and services	**67,945**	**100.61%**	**66,654**	**94.81%**	**1,291**
Change in inventories of finished products	(3,034)	-4.49%	1,761	2.50%	(4,795)
Other revenues	2,625	3.89%	1,887	2.68%	738
Value of production	**67,536**	**100.00%**	**70,302**	**100.00%**	**(2,766)**
Raw, ancilary and consumable materials	(18,145)	-26.87%	(18,362)	-26.12%	217
Services, leases and rentals	(27,283)	-40.40%	(27,468)	-39.07%	185
Personnel costs	(18,591)	-27.53%	(18,526)	-26.35%	(65)
Change in inventories of raw materials	(30)	-0.04%	(183)	-0.26%	153
Other operating expenses	(691)	-1.02%	(687)	-0.98%	(4)
Cost of production	**(64,740)**	**-95.86%**	**(65,226)**	**-92.78%**	**486**
Gross operating profit	**2,796**	**4.14%**	**5,076**	**7.22%**	**(2,280)**
Amortisation and depreciation	(3,890)	-5.76%	(4,156)	-5.91%	266
Provisions and expense	(221)	-0.33%	(191)	-0.27%	(30)
Net operating profit	**(1,315)**	**-1.95%**	**729**	**1.04%**	**(2,044)**
Financial income and expense	(797)	-1.18%	(560)	-0.80%	(237)
Pre-tax profit	**(2,112)**	**-3.13%**	**169**	**0.24%**	**(2,281)**
Income taxes estimated	402	0.60%	(243)	-0.35%	645
Net Profit for the period	**(1,710)**	**-2.53%**	**(74)**	**-0.11%**	**(1,636)**