PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Financial Report as of 30th June 2014

- Net Revenues amounted to 146.0 million Euros (+4.6 million Euros on 30th June 2013)
- Gross operating profit amounted to 9.4 million Euros.
- Consolidated net loss of the period was 1.9 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 2014, in accordance with the International Financial Reporting Standard (IFRS).

In an international economic context characterised by a gradual reinforcement, the trend in revenues of the first half of 2014 was positive, reporting an increase (counter to the trend reported in the last two years), thanks in particular to the performance of the second quarter 2014.

In the second quarter of 2014, there was a significant recovery in margins; the gross operating profit of the second quarter was equal to Euro 6.6 million (8.7% of the value of production) compare to the 2.8 million of the first quarter (4.1% of the value of production).

The policies adopted in the last 12 months allowed to obtain a significant reduction of the Net Working Capital (-31.0 million Euros on 30th June 2013) and an important improvement of the Net Financial Position (-15.3 million Euros on 30th June 2013).

The increase in revenues, associated with the significant results obtained in the half-year in relation to reducing working capital and financial indebtedness, confirms the validity of the strategic initiatives initiated by the Group in this international economic scenario.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	30/6/2014	**30/6/2013**	**var. €**
Revenues from sales and services	146,005	141,401	4,604
Value of production	144,239	145,467	(1,228)
Gross operating profit	9,435	10,918	(1,483)
Net operating profit	(0,214)	1,612	(1,827)
Consolidated net profit (loss)	(1,872)	(0,863)	(1,009)

“With the end of the first half of 2014– said Emilio Mussini, Chairman of Panariagroup – the first phase of operations, which allowed the strengthening of the financial structure of the Group, can be considered closed, resulting in a significant decrease in Net Working Capital and a significant improvement in the Net Financial Position.”

“The strategic orientation of the Group towards an increasing level of internationalization – continued Mussini – allowed an higher diversification of geographic risk and competitiveness in areas with the greatest growth potential, as demonstrated by the constant progression of the non-UE markets, which led the incidence of these areas with respect to Group revenues to increase from 26% at the end of 2009 to the current 43%. We believe that the advantage of having consolidated a significant quota of our revenues in very dynamic areas will allow us to maintain solid growth prospects in the medium term."

REVENUES

Revenues from sales reported an increase from Euro 141.4 million as of 30 June 2013 to Euro 146.0 million as of 30 June 2014 (Euro +4.6 million).

The weakness within the "traditional" European markets has continued for the Group, but this was compensated by the increases within the US, Asian, African and Oceania markets.

USA – The United States were the first country of reference for the Group and confirmed the positive growth trend in USD (+10%); this is less evident within the consolidated financial statements due to the effect of the depreciation of the USD with respect to the Euro in the first half of 2013.
The distribution channel of the Florida Tile stores was the primary growth engine, with an increase in sales in USD of more than 18%.
Despite the slowdown in the construction sector in the first months of 2014 - primarily due to exceptional weather conditions - the US market continues to exhibit a positive dynamic and the primary macro-economic indicators of the sector confirm the positive expectations for the next months as well.
The US market's share of total sales comes to 31%.

EUROPE – The European markets overall grew with respect to the past year (+3.4%); during the course of 2013, sales of the Group - in all the primary nations of the Euro area - were characterized by a strong decreasing trend while in the first half year of 2014 there were a few important positive notes, in particular the recovery of the Portuguese market and the positive performance obtained within non-EU markets.
It should be noted that - within the Portuguese market, following years of negative growth due to the particularly unfavourable recession which affected the country - the Group recorded a significant growth of 15%, a particularly important result if one considers that Gres Panaria Portugal is one of the primary players of this market.
European markets account for 34% of total sales.

ITALY – The Italian market reported a decrease which was essentially in line with the sector data (-7.2%) reported by the most recent data of Confindustria Ceramica. The persistent crisis which has thus far characterized the construction sector and the Italian real estate market is the reason for the negative trend of sales within the domestic market.
The Italian market's share of total sales comes to 23%.

ASIA. OCEANIA and AFRICA – Other markets (Asia, Oceania, Africa and the Americas) generated in the half-year excellent growth performances, with an overall increase of 27%.
In Africa, revenues doubled, while in Asia growth was around 30%, and in Oceania 42%, while the Americas reported a slight decrease.
The attained results are the result of the development of sales models which have allowed Panariagroup Trade (in Asia and Oceania) as well as Gres Panaria Portugal (in Africa) to develop new opportunities.
Other markets account for 12% of total sales.

FINANCIAL RESULTS

Gross operating profit came to Euro 9.4 million, representing 6.6% of the value of production (Euro 10.9 million as of 30 June 2013, or 7.5% of the value of production).
The primary factors which resulted in the decrease in margin between the two periods are as follows:
- a change in the sales mix of the Italian Business Unit, resulting in a slight decrease in average sales prices;
- intensification of activities for disposal of stocks of finished products with slow turnover and at stock prices;
- the lower level of production which resulted in a negative impact due to the greater incidence of fixed costs.

The following, on the other hand, contributed positively:
- The increase in profitability of the Portuguese business unit as a result of an increase in revenues and significant cost savings deriving from the rationalization implemented during the course of 2013;
- The decrease in energy costs, which is expected to be even greater in the second half of 2014.

The net operating profit comes to Euro -0.2 million (Euro 1.6 million as of 30th June 2013).

The consolidated net result is a loss of Euro 1.9 million (negative by Euro 0.9 million as of 30th June 2013), this was almost entirely ascribable to the first quarter.

NET FINANCIAL POSITION

The Net Financial Position improved significantly with respect to 12 months ago, with a decrease in indebtedness of Euro 15.3 million, including Euro 7.5 million Euro attained in the past quarter. The result is decidedly positive if one also takes into account the level of investments implemented during the course of the past 12 months, equal to Euro 14.8 million; this was the result of the significant decrease in net working capital.

SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 141.7 million Euros as of 30th June 2014.

RELEVANT EVENTS

During the course of the first half of the year, and for the purposes of improving the efficacy of commercial actions within markets that are still not very highly penetrated by the Group, the area of competence of the Panariagroup Trade Division was expanded. The "Trade" distribution model requires concentrating the marketing of all the brands of the Group, in well defined areas, within a single structure; following the expansion, the scope of the Division was enlarged to include certain areas of Eastern Europe.
The positive experience generated from adopting this model within the markets of Asia and Oceania render us confident in attaining similar results in new operational areas.

The organizational structure dedicated to the development of the Private Label channel (production on behalf of third parties) was consolidated and increased; this will allow us to more effectively exploit the productive capacity of our European plants. This structure is already attaining significant sales results.
The US company Florida Tile has expanded its distribution network with the inauguration of two new sales outlets in Dallas and Boise; by the end of 2014, the opening of a new store is expected.

The success in introducing - within the range of products of laminated stoneware - of plates (1 by 3 meters) with a thickness of 5.5 mm was successful; when associated with those of 3 mm which were previously on catalogue it is possible to now attain a full coverage of the applications of this typology. Laminated stoneware products represent an increasingly large quota of the revenues of the Group and continue to generate great market consensus.

OPERATIONAL OUTLOOK FOR THE GROUP

In the second half of the year, there are plans for a significant increase in production with respect to the second half of 2013, given that the level of finished products in the warehouse has already been decreased in the last 12 months. This will allow for an improvement in the negative results which were attained in the second half of 2013.

The second quarter of 2014 is already representative of this scenario; the increase in sales, associated with a production level aligned with the same period of the past year, has led to immediate profit benefits.

Following the experience of re-organization and recovery which has already been put into practice by the US and Portuguese business units, we believe that we can implement, to the same positive extent, strategic operations in order to bring the Italian Business Unit to an adequate level of competitiveness that is more in alignment with current market demand.

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, Consolidated Profit & Loss account

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Milano, 8h August 2014

CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

(THOUSANDS OF EURO)

	06/30/2014	03/31/2014	12/31/2013	06/30/2013
Inventories	121,688	125,044	128,274	144,585
Accounts Receivable	78,988	73,590	66,510	84,404
Other current assets	8,686	8,807	10,028	10,087
CURRENT ASSETS	**209,362**	**207,441**	**204,812**	**239,076**
Account Payables	(57,067)	(51,680)	(50,655)	(57,494)
Other current liabilities	(27,488)	(24,328)	(23,670)	(25,785)
CURRENT LIABILITIES	**(84,555)**	**(76,008)**	**(74,325)**	**(83,279)**
NET WORKING CAPITAL	**124,807**	**131,433**	**130,487**	**155,797**
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	2,063	2,128	2,149	2,291
Tangible assets	88,500	88,684	90,358	90,887
Equity Investments and other financial assets	357	357	358	475
FIXED ASSETS	**99,059**	**99,308**	**101,004**	**101,792**
Receivables due after following year	956	963	952	719
Provision for termination benefits	(6,073)	(6,053)	(6,101)	(6,376)
Provision for risk and charge	(4,158)	(3,958)	(3,994)	(4,707)
Deferred tax assets	14,149	14,353	13,589	9,722
Other payables due after the year	(1,155)	(1,152)	(1,925)	(2,834)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**3,719**	**4,153**	**2,521**	**(3,476)**
NET CAPITAL EMPLOYED	**227,585**	**234,894**	**234,012**	**254,113**

Short term financial assets	(6,822)	(10,529)	(9,973)	(7,548)
Short term financial debt	44,569	50,573	44,931	52,310
NET SHORT TERM FINACIAL DEBT	**37,747**	**40,044**	**34,958**	**44,762**
Mid-Long term financial debt	48,106	53,396	55,894	56,426
NET FINANCIAL POSITION	**85,853**	**93,440**	**90,852**	**101,188**
Group Shareholders' Equity	141,732	141,454	143,160	152,925
SHAREHOLDERS' EQUITY	**141,732**	**141,454**	**143,160**	**152,925**
TOTAL SOURCES OF FOUNDS	**227,585**	**234,894**	**234,012**	**254,113**

Income statement - Comparison between 30 June 2014 and 30 June 2013
(in thousands of Euro)

	06/30/2014	%	06/30/2013	%
Revenues from sales and services	**146,005**	**101.22%**	**141,401**	**97.20%**
Change in inventories of finished products	(6,467)	-4.48%	364	0.25%
Other revenues	4,701	3.26%	3,702	2.54%
Value of Production	**144,239**	**100.00%**	**145,467**	**100.00%**
Raw, ancillary and consumable materials	(39,368)	-27.29%	(39,235)	-26.97%
Services, leases and rentals	(56,955)	-39.49%	(57,060)	-39.23%
Personnel costs	(37,432)	-25.95%	(37,070)	-25.48%
Changes in inventories of raw materials	404	0.28%	(26)	-0.02%
Other operating expenses	(1,453)	-1.01%	(1,158)	-0.80%
Cost of production	**(134,804)**	**-93.46%**	**(134,549)**	**-92.49%**
Gross operating profit	**9,435**	**6.54%**	**10,918**	**7.51%**
D&A expenses	(7,979)	-5.53%	(8,450)	-5.81%
Provisions and other impairments	(1,670)	-1.16%	(855)	-0.59%
Net operating profit	**(214)**	**-0.15%**	**1,613**	**1.11%**
Financial income and expense	(1,516)	-1.05%	(1,584)	-1.09%
Pre-tax profit	**(1,730)**	**-1.20%**	**29**	**0.02%**
Income taxes estimated	(142)	-0.10%	(892)	-0.61%
Net profit (loss) for the period	**(1,872)**	**-1.30%**	**(863)**	**-0.59%**