

PRESS RELEASE

3rd Quarterly 2017: Net Consolidated Result up by 42%

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Consolidated Financial Report as of 30th September 2017.

- **Consolidated Net Revenues amounted to 295.0 million Euros, with an increase of 3.1% compared to September 2016.**
- **Gross Operating Profit amounted to 35.4 million Euros (Euro 29.6 million at 30 September 2016) with an improvement of 19.3%.**
- **Net Operating Profit amounted to 17.8 million Euros (Euro 14.4 million Euros at 30 September 2016) with an increase of 23.5%.**
- **Consolidated Net Profit was 10.1 million Euros (Euro 7.1 million at 30 September 2016) with an improvement of 42.5%.**

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 30 September 2017, in accordance with the International Financial Reporting Standard (IFRS).

Compared to 2016, the results reported in the first nine months of the year highlighted a growth in sales and a significant improvement in profitability, with an increase in net profit of over 40%, mostly attributable to the Italian Business Unit, as a consequence of a positive and clear trend reversion compared to the past.

During the third quarter of 2017, we moreover notice a reduction in sales, compared to the same period of the previous year, mainly due to the US Business Unit, in relation to two factors external to the management and difficult to forecast.

These factors are: the depreciation of the US Dollar against the Euro and the prolonged standstill of buildings activities in the South of United States as a result of the hurricanes which have heavily affected these territories.

The financial statements at 30 September 2017 confirmed almost unchanged the good results achieved in the main performance indicators selected by the Group, such as the “NFD / EBITDA” ratio (equal to 2.03) and the “Net Working Capital / Sales” ratio (amount to 34.2%).

CONSOLIDATED FINANCIAL HIGHLIGHTS

(thousand Euros)

Nature	30 th September 2017	30 th September 2016	var. €
Revenues from sales and services	295,030	286,160	8,870
Value of production	318,927	291,574	27,353
Gross operating profit	35,358	29,626	5,732
Net operating profit	17,754	14,373	3,381
Consolidated net profit	10,104	7,089	3,015

“The first 9 months of 2017 – says **Emilio Mussini, Chairman of Panariagroup** – produced very positive financial and economic results, nonetheless a non-homogeneous trend in the different markets. The excellent results of the European Business Units allowed us to offset the effects related to the extraordinary climate events and the USD depreciation against Euro, that affected negatively the performance of the US Business Unit.”

“In relation to the expected trend during the fourth quarter - continues the **Chairman of Panariagroup** – the quantity of orders collected on the occasion of the recent exhibition Cersaie, the positive result on sales reported in October, led us to have confidence on the overall performance of the last part of the year, which we deem might confirm the results achieved in the first nine months of the 2017.”

“Ceramics are becoming more and more a universal material, and their intended use, compared to traditional uses, has widened significantly. – concludes Mussini - These trends, which are very clearly emerging, and for which benefits are expected in the next few years, drive us to further implement our industrial and commercial development strategies.”

REVENUES

Net revenues from sales increased, further rising from Euro 286.2 million at 30 September 2016 to Euro 295.0 million at 30 September 2017 (Euro +8.9 million).

The result at 30 September, confirm the year 2017 as another record year for the Group, as evidence of our well-established corporate and commercial organization.

The Group has developed important growth targets, year after year; in particular, relating to the first nine months of the year, an increase in sales of over Euro 87 million should be noted from 2013 to 2017.

Compared to the main reference markets, the Group has achieved overall positive results, with particular progress on European markets.

EUROPE - The European markets recorded an overall excellent growth of 9%.

The areas that have contributed most to this performance are Germany, Portugal, Great Britain and Russia.

The general trend of the European markets is positive, as highlighted by the Italian exports to these areas, which is growing up about 4% compared to 2016, following the recent Confindustria Ceramica survey.

European markets accounted for 36% of total revenues.

UNITED STATES – Sales related to the US market are substantially in line with last year’s figures, despite the fact that the third quarter was characterised by a slowdown generated by exceptional climate-related factors.

For 2018, the outlook on the US market is positive and we deem that the Group will be able to fully take benefit from this market trend, mostly thanks to its structured and direct presence on the territory, with Florida Tile, Panariagroup USA and Lea North America.

The US market accounted for 35% of total revenues.

ITALY – The Italian market reported a good performance, with a growth over 5%; we reported, on the one hand a more dynamic segment, generally resulting in better results than 2016, but above all, the recovery of market shares, mainly thanks to the activities carried out by the Group for a stronger presence on the domestic market.

The Italian market accounted for 18% of total revenues.

OTHER MARKETS – The other markets (Asia, Canada, South America, Oceania and Africa) reported a slowdown of around 5%, which was almost entirely due to a drop in sales in the African continent.

The performance of the Australian and Far East markets was instead positive.

The “other markets” accounted for 11% of total revenues.

OPERATING RESULTS

Gross operating profit came to **Euro 35.4 million**, representing 11.1% of the Value of Production (Euro 29.6 million at 30 September 2016, or 10.2% of the Value of Production), with a growth of Euro 5.7 million (+19.4%) mainly due to growth in turnover and reduction unit costs of production.

The increase in revenues was determined by an increase in volumes, as the price remained substantially unchanged compared to the amounts of last year.

Generally, the reduction in unit production costs was the consequence of three main elements:

- The increase in volumes produced; the higher use of the production capacity led to a significant reduction in unit fixed costs;
- Investments made in the last two years took full effect; the most advanced technologies implemented in plants allowed us to achieve savings thanks to a higher production capacity;
- Reduction in energy tariffs in European plants; thanks to advantageous tariffs compared to 2016, savings on energy costs were obtained.

The excellent improvement of Gross Operating Profit was confirmed in 2017, with a growth of Euro 5.7 million compared to the first nine month of 2016.

Net Operating Profit amounted to Euro 17.8 million (Euro 14.4 million at 30 September 2016), a positive change of Euro 3.4 million.

Amortisation/depreciation rose by Euro 2.4 million, due to the relevant investments made during the 2015-2016 two-year period.

The incidence of Financial expenses on the Value of Production was limited.

Consolidated Net Result amounted to Euro 10.1 million (Euro 7.1 million at 30 September 2016), with a growth of Euro 3 million.

NET FINANCIAL POSITION

The Net Financial Position slightly improved compared to the previous quarter (Euro 0.7 million) with a NFP/EBITDA ratio, now approaching to 2.

The focus remain high, within the Group management, to the maintenance of a balanced financial exposure, with respect to sales and economic results.

OUTLOOK FOR GROUP OPERATIONS

Important results recorded during the first nine month of 2017 reinforce confidence in the Group's further progress in the last part of the year, relying on the absence of significant external events and comforted by the positive sales performance recorded in October.

All Group Business Units operate with a positive profitability and, while relying on these strong points, Panariagroup expect to continuing to achieve, in 2018, further progress, above all in the Italian and US Business Units, where we reported the greatest improvement margins thanks to various strategic industrial and commercial development initiatives implemented in recent years.

The Group is today one of the world leader companies in the ceramics sector, in terms of internationalization, technology, ability of interpreting market trends and business management and our medium-long term strategies are aimed at maintaining the current position of the Group amongst the main players in the market.

Ceramics are becoming more and more a "universal" material, and their intended use, compared to traditional uses, has widened significantly.

The quality, technical and aesthetic features, as well as their competitive cost, render ceramics an interesting material for applications that were mainly performed by other products in the past.

These trends, which are very clearly emerging, and for which benefits are expected in the next few years, drive us to further implement our industrial and commercial development strategies.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mr. 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 Income Statement

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30-Sept-2017	30-June-2017	31-Dec-2016	30-Sept-2016
Inventories	149,408	145,945	140,173	134,290
Accounts Receivable	86,119	97,389	79,903	85,192
Other current assets	11,970	12,076	13,657	11,585
CURRENT ASSETS	247,497	255,410	233,733	231,067
Account Payables	(84,163)	(84,907)	(83,647)	(76,972)
Other current liabilities	(31,401)	(31,815)	(28,097)	(28,772)
CURRENT LIABILITIES	(115,564)	(116,722)	(111,744)	(105,744)
NET WORKING CAPITAL	131,933	138,688	121,989	125,323
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	14,340	14,251	13,967	10,019
Tangible assets	121,342	117,432	119,595	115,547
Equity Investments and other financial assets	446	48	82	6
FIXED ASSETS	144,267	139,870	141,783	133,711
Receivables due after following year	635	653	777	715
Provision for termination benefits	(5,752)	(5,794)	(5,913)	(5,762)
Provision for risk and charge	(5,222)	(4,951)	(4,725)	(4,533)
Deferred tax assets	3,039	2,993	5,405	6,966
Other payables due after the year	(2,623)	(2,473)	(3,386)	(6,369)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(9,923)	(9,572)	(7,842)	(8,983)
NET CAPITAL EMPLOYED	266,277	268,986	255,930	250,051
Short term financial assets	(11,179)	(7,273)	(16,995)	(14,053)
Short term financial debt	40,345	41,147	36,505	37,073
NET SHORT TERM FINANCIAL DEBT	29,166	33,874	19,510	23,020
Mid-Long term financial debt	65,445	61,458	64,202	62,327
NET FINANCIAL POSITION	94,611	95,332	83,712	85,347
Group Shareholder's Equity	171,666	173,654	172,218	164,704
SHAREHOLDERS' EQUITY	171,666	173,654	172,218	164,704
TOTAL SOURCES OF FUNDS	266,277	268,986	255,930	250,051

Income statement – Comparison between 30 September 2017 and 30 September 2016 (in thousands of Euro)

	30-Sept-2017	%	30-Sept-2016	%	var.	var. %	var. inc %
Revenues from sales and services	295,030	92.51%	286,160	98.14%	8,870	3.10%	-5.64%
Change in inventories of finished products	15,176	4.76%	(3,152)	-1.08%	18,328		5.84%
Other revenues	8,721	2.73%	8,566	2.94%	155	1.81%	-0.20%
Value of Production	318,927	100.00%	291,574	100.00%	27,353	9.38%	0.00%
Raw, ancillary and consumable materials	(88,827)	-27.85%	(83,040)	-28.48%	(5,787)	6.97%	0.63%
Services, leases and rentals	(120,441)	-37.76%	(108,340)	-37.16%	(12,101)	11.17%	-0.61%
Personnel costs	(71,596)	-22.45%	(68,188)	-23.39%	(3,408)	5.00%	0.94%
Changes in inventories of raw materials	(2,705)	-0.85%	(2,380)	-0.82%	(325)	13.66%	-0.03%
Cost of production	(283,569)	-88.91%	(261,948)	-89.84%	(21,621)	8.25%	0.93%
Gross operating profit	35,358	11.09%	29,626	10.16%	5,732	19.35%	0.93%
D&A expenses	(16,423)	-5.15%	(13,998)	-4.80%	(2,425)	17.32%	-0.35%
Provisions and other impairments	(1,181)	-0.37%	(1,255)	-0.43%	74	-5.90%	0.06%
Net operating profit	17,754	5.57%	14,373	4.93%	3,381	23.52%	0.64%
Financial income and expense	(3,195)	-1.00%	(2,740)	-0.94%	(455)	16.61%	-0.06%
Pre-tax profit	14,559	4.56%	11,633	3.99%	2,926	25.15%	0.58%
Income taxes estimated	(4,455)	-1.40%	(4,544)	-1.56%	89	-1.96%	0.16%
Net profit (loss) for the period	10,104	3.17%	7,089	2.43%	3,015	42.53%	0.74%

Income Statement - Comparison between Third Quarter 2017 and Third Quarter 2016 (in thousands of Euro)

	Q3 2017	%	Q3 2016	%	Var	Var. %
Revenues from sales and services	88,192	91.49%	92,815	100.38%	(4,623)	-4.98%
Change in inventories of finished products	5,160	5.35%	(3,197)	-3.46%	8,357	
Other revenues	3,038	3.15%	2,842	3.07%	196	6.90%
Value of Production	96,390	100.00%	92,460	100.00%	3,930	4.25%
Raw, ancillary and consumable materials	(27,746)	-28.79%	(26,681)	-28.86%	(1,065)	3.99%
Services, leases and rentals	(37,841)	-39.26%	(35,459)	-38.35%	(2,382)	6.72%
Personnel costs	(22,331)	-23.17%	(21,312)	-23.05%	(1,019)	4.78%
Changes in inventories of raw materials	(998)	-1.04%	(766)	-0.83%	(232)	30.29%
Cost of production	(88,916)	-92.25%	(84,218)	-91.09%	(4,698)	5.58%
Gross operating profit	7,474	7.75%	8,242	8.91%	(768)	-9.32%
D&A expenses	(5,808)	-6.03%	(4,863)	-5.26%	(945)	19.43%
Provisions and other impairments	(97)	-0.10%	9	0.01%	(106)	
Net operating profit	1,569	1.63%	3,388	3.66%	(1,819)	-53.69%
Financial income and expense	(734)	-0.76%	(722)	-0.78%	(12)	1.66%
Pre-tax profit	835	0.87%	2,666	2.88%	(1,831)	-68.68%
Income taxes estimated	(311)	-0.32%	(995)	-1.08%	684	-68.74%
Net profit (loss) for the period	524	0.54%	1,671	1.81%	(1,147)	-68.64%

Income statement at 30/09/2017 broken down by quarters
(in thousands of Euro)

	Q1 2017	%	Q2 2017	%	Q3 2017	%	30-Sept-2017	%
Revenues from sales and services	99,272	92.84%	107,566	93.04%	88,192	91.49%	295,030	92.51%
Change in inventories of finished products	5,307	4.96%	4,709	4.07%	5,160	5.35%	15,176	4.76%
Other revenues	2,344	2.19%	3,339	2.89%	3,038	3.15%	8,721	2.73%
Value of Production	106,923	100.00%	115,614	100.00%	96,390	100.00%	318,927	100.00%
Raw, ancillary and consumable materials	(30,229)	-28.27%	(30,852)	-26.69%	(27,746)	-28.79%	(88,827)	-27.85%
Services, leases and rentals	(38,901)	-36.38%	(43,699)	-37.80%	(37,841)	-39.26%	(120,441)	-37.76%
Personnel costs	(24,674)	-23.08%	(24,591)	-21.27%	(22,331)	-23.17%	(71,596)	-22.45%
Changes in inventories of raw materials	(882)	-0.82%	(825)	-0.71%	(998)	-1.04%	(2,705)	-0.85%
Cost of production	(94,686)	-88.56%	(99,967)	-86.47%	(88,916)	-92.25%	(283,569)	-88.91%
Gross operating profit	12,237	11.44%	15,647	13.53%	7,474	7.75%	35,358	11.09%
D&A expenses	(5,113)	-4.78%	(5,502)	-4.76%	(5,808)	-6.03%	(16,423)	-5.15%
Provisions and other impairments	(370)	-0.35%	(714)	-0.62%	(97)	-0.10%	(1,181)	-0.37%
Net operating profit	6,754	6.32%	9,431	8.16%	1,569	1.63%	17,754	5.57%
Financial income and expense	(720)	-0.67%	(1,741)	-1.51%	(734)	-0.76%	(3,195)	-1.00%
Pre-tax profit	6,034	5.64%	7,690	6.65%	835	0.87%	14,559	4.56%
Income taxes estimated	(2,009)	-1.88%	(2,135)	-1.85%	(311)	-0.32%	(4,455)	-1.40%
Net profit (loss) for the period	4,025	3.76%	5,555	4.80%	524	0.54%	10,104	3.17%