PRESS RELEASE
Panariagroup Industrie Ceramiche S.p.A. : the Board of Directors approves the Consolidated Financial Report as of 30th June 2012

- Net Revenues amounted to 148.6 million Euros.
- Gross operating profit amounted to 12.1 million Euros.
- Consolidated net profit of the period was 0.2 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 Financial Report as of 30th June 2012, in accordance with the International Financial Reporting Standard (IFRS).

During the first half of 2012, there was quite a contrast in the economic scenario. After a first quarter that provided a glimpse of a gradual stabilisation of macroeconomic trends, the second quarter was again characterised by marked instability.

In May, because of the earthquake that occurred in the Emilia Romagna region, with its epicentre in Finale Emilia, where one of Panariagroup's six plants is located, we suffered significant damage to the plant and buildings that forced us into an unexpected halt in production of some two months, to make all necessary repairs and checks.

Production activity restarted gradually and full plant efficiency was just achieved at the end of August.

In this context, compared to the same prior year period, in the first half of 2012 our Group suffered a fall in turnover of 2.17% and a slight reduction in margins.

In the absence of the extraordinary impact on results caused by the earthquake, there would have been a net operating profit of Euro 2.7 million and a consolidated net profit of Euro 0.8 million, this last one substantially in line with the results for the same prior year period.

FINANCIAL HIGHLIGHTS
(thousand Euros)

	30/6/2012	**30/6/2011**	**var. €**
Revenues from sales and services	148,555	151,846	(3,291)
Value of production	149,582	156,732	(7,150)
Gross operating profit	12,087	14,187	(2,100)
Net operating profit	(0,272)	4,945	(5,217)
Consolidated net profit (loss)	0,179	1,028	(0,849)

“In an international economic context still contrasted and uncertain, Panariagroup – said Emilio Mussini, Chairman of Panariagroup – was obliged to face with the emergency caused by the terrible and unexpected earthquake that influenced significantly all the activities of the Company in the semester”.

"Today – continued Mussini – we can say, only few months after the natural disaster, to have been able to cross this hard situation, with the full reprise of the normal production activities at the plant in Finale Emilia. This was possible thanks to the contribution, the commitment and the dedication shown by employees and collaborators, despite being very much affected by personal and family problems brought about by the earthquake. This important and difficult result confirms the solidity of our Group and give us further confidence for the next future."

REVENUES

The **Net sales** were equal to 148.6 million Euros, with a decrease of 2,17% on the same period of 2011.

Turnover has been characterised by two distinct factors, on one hand the contraction encountered in Western European markets and, on the other, significant growth in the American market and in the Middle and Far East markets.

EUROPE – European Market recorded an overall contraction of 12.6%, with a share of 37% on total sales of the Group. The fall in turnover is wholly attributable to EU countries that have experienced a downturn compared to the first half of 2011 of -14.4%; the main contractions took place in Portugal and Holland.
Market shares in Eastern Europe have remained more or less unchanged compared to 2011.

ITALY – Italian market, with a share represents of 27% of total Group revenues, suffered a reduction in turnover of 14.3%.compared to the first half of 2011, The property crisis in our country reached its peak in 2012 with a significant drop in investment in residential and commercial construction.

USA – Sales on the US market, which currently represents the Group's principal foreign market, totalled Euro were up 23% compared to the same period in 2011, representing now the 25% of Group revenues. Sales have been boosted by the good state of the U.S. property market and by the introduction of new collections that have found favour with customers.

ASIA. OCEANIA and AFRICA – The Overseas Markets were confirmed as being more dynamic, with overall growth in these areas of 34.3% compared to the first half of 2011. The main increases took place in Saudi Arabia, Azerbaijan, Singapore and the United Arab Emirates.

FINANCIAL RESULTS

The gross operating profit of Euro 12.1 million accounts for 8.08% of the value of production, with a decline of Euro 2.1 million.

The main factors behind this decrease in Group profitability are:

- fall in the margin due to an increase in energy prices impacting European business units, with an increase of some 25%;
- fall in the margin due to lower volumes produced compared to 2011, following the closure in May and June of the Finale Emilia plant;
- fall in the margin due to the impact of lower turnover;
- significant improvement in margins of the American Business Unit

The net operating loss of Euro 0.3 million has been particularly impacted by the extraordinary cost component “Net charges for earthquake reconstruction” of Euro 3 million relating to damage caused by the earthquake that hit the Finale Emilia plant.

CONSOLIDATED NET PROFIT

The consolidated net profit for the period is 0.2 million compared to 1 million in the first half of 2011. Net of the extraordinary impact of the earthquake, consolidated net profit would have been Euro 0.8 million.

NET FINANCIAL POSITION

Net financial indebtedness has increased since the beginning of the year by Euro 10.5 million. Two factors have contributed to this result; an increase in working capital driven by an increase in receivables and significant capital expenditure relating to the construction of a new porcelain gres production line for the Lawrenceburg plant in the USA.

SHAREHOLDERS’ EQUITY

The Shareholders’ equity of the Group amounted to 154.6 million Euros as of 30th June 2012, increasing from the amount of 153,3 million Euros as of 31st December 2011.

RELEVANT EVENTS

We highlight the important investment made in production in the United States, by means of the installation of a second line for porcelain gres at the Lawrenceburg plant of the subsidiary Florida Tile, which started operations in May 2012.
The total investment made between the second half of 2011 and the first half of 2012 amounts to Euro 10 million.
The new structure of the plant ensures greater production capacity and lower unit costs, enhancing the Group's competitiveness in the United States, a market where an excellent growth trend is being achieved and for which the prospects for the medium-long term are particularly interesting.

In May 2012 our Group commenced the procedures required to set up a Joint Venture Company (hereafter “JVC”) in India, an investment 50% held by Panariagroup and 50% by Asian Granito India Ltd, a leading manufacturer in the Indian market. The JCV's aim is to develop sales in what currently represents the third ceramics market in the world after China and Brazil in terms of consumption with annual growth rates in excess of 10%.

OPERATIONAL OUTLOOK FOR THE GROUP

The unfavourable economic environment that has hit Western European markets and which has impacted countries like Portugal and Italy, has severely impacted our business. Thanks to the push towards the internationalisation of production and trade that has characterised the development policy of our Group in recent years, we have been able to offset these negative effects with excellent results in North America and Asia.

The recent establishment of the Indian JVC demonstrates the Group's intention to further expand its horizons in the most promising markets.

The general economic outlook for the short term is not much different from the current trend and, accordingly, our business will address the consolidation of the results of initiatives already undertaken in order to reap the benefits thereof and the constant search for new areas for regional, product and technological development.

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 and Cash Flow Statement

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INCOME STATEMENT - 2012 VS 2011

(thousands euro)

YTD	June 30, 2012	%	June 30, 2011	%	var.
Revenues from sales and services	**148,555**	**99.31%**	**151,846**	**96.88%**	**(3,291)**
Change in inventories of finished products	(2,071)	-1.38%	2,147	1.37%	(4,218)
Other revenues	3,098	2.07%	2,739	1.75%	359
Value of Production	**149,582**	**100.00%**	**156,732**	**100.00%**	**(7,150)**
Raw, ancillary and consumable materials	(39,749)	-26.57%	(43,304)	-27.63%	3,555
Services, leases and rentals	(61,185)	-40.90%	(61,457)	-39.21%	272
Personnel costs	(35,768)	-23.91%	(36,260)	-23.14%	492
Change in inventories of raw materials	523	0.35%	77	0.05%	446
Other operating expenses	(1,316)	-0.88%	(1,601)	-1.02%	285
Cost of production	**(137,495)**	**-91.92%**	**(142,545)**	**-90.95%**	**5,050**
Gross operating profit	**12,087**	**8.08%**	**14,187**	**9.05%**	**(2,100)**
Amortisation and depreciation	(8,351)	-5.58%	(8,250)	-5.26%	(101)
Provisions and impairments	(1,008)	-0.67%	(992)	-0.63%	(16)
Net expense for earthquake reconstruction	(3,000)	-2.01%	0	0.00%	(3,000)
Net operating profit	**(272)**	**-0.18%**	**4,945**	**3.16%**	**(5,217)**
Financial income and expense	(1,502)	-1.00%	(2,087)	-1.33%	585
Pre-tax profit	**(1,774)**	**-1.19%**	**2,858**	**1.82%**	**(4,632)**
Income taxes estimated	1,953	1.31%	(1,830)	-1.17%	3,783
Net profit for the period	**179**	**0.12%**	**1,028**	**0.66%**	**(849)**

	June 30, 2012	December 31, 2011	June 30, 2011
Inventories	143,301	142,134	135,268
Accounts Receivable	91,861	82,997	97,436
Other current assets	13,908	6,436	7,119
CURRENT ASSETS	**249,070**	**231,567**	**239,823**
Accounts Payables	(66,920)	(62,306)	(64,258)
Other current liabilities	(27,920)	(26,506)	(35,494)
CURRENT LIABILITIES	**(94,840)**	**(88,812)**	**(99,752)**
NET WORKING CAPITAL	**154,230**	**142,755**	**140,071**
Goodwill	12,789	12,789	12,789
Intangible assets	2,578	2,697	2,735
Tangible assets	95,715	92,221	87,696
Equity Investments and other financial fixed assets	5	5	5
FIXED ASSETS	**111,087**	**107,712**	**103,225**
Receivables due after the following year	276	261	263
Provisions for termination benefits	(5,973)	(6,175)	(6,332)
Provisions for risks and charge and deferred taxes	(6,169)	(2,381)	(5,582)
Other payables due after the year	(3,353)	(4,045)	(538)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**(15,219)**	**(12,340)**	**(12,189)**
NET CAPITAL EMPLOYED	**250,098**	**238,127**	**231,107**

Short term financial assets	(2,388)	(3,101)	(5,078)
Short term financial debt	46,767	49,316	50,004
NET SHORT TERM FINANCIAL DEBT	**44,379**	**46,215**	**44,926**
Mid-long term financial debt	51,073	38,659	37,829
NET FINANCIAL POSITION	**95,452**	**84,874**	**82,755**
Group Shareholders' Equity	154,646	153,253	148,352
SHAREHOLDERS' EQUITY	**154,646**	**153,253**	**148,352**
TOTAL SOURCES OF FUNDS	**250,098**	**238,127**	**231,107**