

**CERAMIKA NOWA GALA S.A.
UL. CERAMICZNA 1
26-200 KOŃSKIE**

**INDEPENDENT AUDITOR'S OPINION
AND
REPORT ON THE AUDIT OF THE FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S OPINION

To the Shareholders and the Supervisory Board of Ceramika Nowa Gala S.A.

We have audited the attached financial statements of Ceramika Nowa Gala S.A. („Company”), with registered office in Końskie, Ceramiczna 1 Street, consisting of:

- the statement of financial position prepared as of December 31, 2014, with total assets and liabilities plus equity amounting to PLN 237,767 thousand;
- the statement of comprehensive income for the financial year from January 1, 2014 to December 31, 2014 showing a net loss in the amount of PLN 1,859 thousand and total comprehensive income in the amount of minus PLN 1,859 thousand;
- the statement of changes in equity for the financial year from January 1, 2014 to December 31, 2014 with a decrease in equity amounting to PLN 29,448 thousand;
- the cash flow statement for the financial year from January 1, 2014 to December 31, 2014 showing a net cash increase of PLN 5,512 thousand;
- additional information and explanations, including accepted accounting policy and other notes to the financial statements.

Preparation of these financial statements and the Management Board's Annual Report, in accordance with applicable law, is the responsibility of the Management Board. The Management Board and members of the Supervisory Board are responsible for ensuring, that the financial statements and the Management Board's Annual Report are in accordance with the Accounting Act of 29 September 1994 (Journal of Laws from 2013, item 330, with subsequent amendments), hereinafter: "Accounting Act".

Our responsibility was to audit and express an opinion on the compliance of the financial statements with the underlying accounting principles (policy) and whether the financial statements present in all material respects true and fair view of economic and financial situation as well as financial result, and whether the accounting records that from the basis for their preparation are properly maintained.

Our audit was performed in accordance with:

- section 7 of the Accounting Act,
- the National Standards on Auditing issued by the Polish National Council of Statutory Auditors.

Our audit was planned and performed to obtain reasonable assurance allowing to express an independent auditor's opinion on the financial statements. In particular the audit included assessing the correctness of the applied accounting principles (policy) and material estimates, examining - largely on a test basis - the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements of Ceramika Nowa Gala S.A. in all material respects:

- present a fair and clear view of all material information for the assessment of the Company's economic and financial situation as of December 31, 2014, as well as financial result for the period from January 1 to December 31, 2014,
- were prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced by the European Commission ("IAS"), and in the scope not regulated by the IAS - according to the requirements of the Accounting Act and regulations issued on the basis of Accounting Act,
- comply in form and content with the applicable laws and the Company's Memorandum of Association.

The Management Board's Annual Report for the financial year ended December 31, 2014 is complete in the meaning of Article 49 clause 2 of the Accounting Act and Regulation of the Minister of Finance dated 19 February 2009 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws from 2009, No. 33, item. 259), and is consistent with the underlying information disclosed in the audited financial statements.

On behalf of

TPA Horwath Horodko Audit Sp. z o. o.
ul. Murawa 12-18, 61-655 Poznań
No. 3082

Krzysztof Dziekoński

Key Certified Auditor
conducting the audit
No. 10089

Warsaw, March 19, 2015

The above audit opinion together with auditor's report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT SUPPLEMENTING THE INDEPENDENT AUDITOR'S
OPINION ON THE FINANCIAL STATEMENTS OF
CERAMIKA NOWA GALA S.A.
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the name Ceramika Nowa Gala Spółka Akcyjna („Company”). The Company's registered office is located in Końskie, ul. Ceramiczna 1.

The Company operates in the form of a joint stock company. The first statute was drawn up in the form of notarial deed on February 7, 1995.

On 11 May 2001, the Company was registered in the National Court Register in the District Court in Kielce – 10th Business and Registry Department under No. 0000011723.

The Company's Tax Identification Number (NIP) is 658-10-02-540. The Company's National Business Registry Number (REGON) is 290556362.

The Company operates under the regulations of the Code of Commercial Companies and the Company's articles of association established on the basis of the notarial deed dated February 7, 1995 with subsequent amendments. Consolidated text of the company's articles of association was adopted by the Supervisory Board on October, 17, 2014.

The Company's main business is production and sale of ceramic and porcelain tiles.

As of December 31, 2014 the Company's registered share capital amounted to PLN 46,893,621 and was divided into 46.893.621 shares with the nominal value of PLN 1 each.

According to the information received from the Company, as of December 31, 2014 the ownership structure was as follows:

Name of Stockholder	Number of shares	Number of votes	Face value of Shares	% of issued share capital
Waldemar Piotrowski	10,806,249	10,806,249	10,806,249	23,04%
MetLife Otwarty Fundusz Emerytalny	9,356,722	9,356,722	9,356,722	19,95%
PTE Allianz Polska SA	6,049,157	6,049,157	6,049,157	12,90%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,834,364	5,834,364	5,834,364	12,44%
ING Otwarty Fundusz Emerytalny oraz ING Dobrowolny Fundusz Emerytalny	3,293,725	3,293,725	3,293,725	7,02%
Other shareholders	11,553,404	11,553,404	11,553,404	24,64%
Total	46,893,621	46,893,621	46,893,621	100%

In the audited period, in connection with a legal buyback of own shares in order to redeem them, there was decrease in share capital in the amount of PLN 9,220,757.

The buyback of own shares was done on the basis of Extraordinary General Meeting of Shareholders resolution No. 3 of October 10, 2008, amended by resolution No. 5 of December 21, 2011, adopted in purpose to approve the buyback by the Parent Company its own shares to redeem them and ended in 2014.

As a part of buyback, in purpose to redeem, 237.149 shares were purchased, and after disposing this shares, shareholders received remuneration in the amount of PLN 537,000. Moreover, on June 30, 2014 the Parent Company acquired from subsidiary CNG Luxembourg S.à.r.l 8.983.608 own shares. General Meeting of Shareholders of Ceramika Nowa Gala S.A. adopted resolution No. 13 related to redemption of purchased own shares. Reduction of share capital of the Company was registered in the National Court Register on October 16, 2014.

The Company's financial year consists of 12 months and ends on December 31.

The Company Ceramika Nowa Gala S.A. is the Parent Company in Capital Group Ceramika Nowa Gala and prepares consolidated financial statements.

The Company is represented by the Management Board. As of December 31, 2014 as well as of the opinion date, the composition of the Company's Management Board was as follows:

- | | |
|-----------------------|--------------------------------|
| - Waldemar Piotrowski | - President of the Board, |
| - Paweł Górnicki | - Vice-President of the Board. |

In the audited period there was no change in the composition of the Management Board.

The Supervisory Board is the unit authorized to supervise the Company. As of December 31, 2014 and the date of issue of the opinion, the following persons were members of the Supervisory Board:

- | | |
|------------------------|--|
| - Paweł Marcinkiewicz | - President of Supervisory Board, |
| - Grzegorz Ogonowski | - Vice President of Supervisory Board, |
| - Łukasz Żuk | - Member of Supervisory Board, |
| - Wojciech Włodarczyk | - Member of Supervisory Board, |
| - Jacek Jakub Tomasiak | - Member of Supervisory Board. |

2. Information about the financial statements for the previous accounting year

The Company's operations in the financial year ended on December 31, 2013 were closed with a net profit in the amount of PLN 35,237 thousand. The Company's financial statements for the financial year ended on December 31, 2013 were audited by TPA Horwath Horodko Audit Sp. z o. o. with headquarters in Poznań, Murawa 12-18 Street, entered on the list of entities authorized to audit financial statements kept by the Polish Chamber of Certified Auditors under No. 3082. On March 18, 2014 the Key Certified Auditor Krzysztof Dziekoński (reg. No. 10089) issued an unqualified opinion.

The financial statements for the financial year ended on December 31, 2013 was approved by resolution No. 6 of the Ordinary General Shareholder's Meeting on June 30, 2014. Based on the resolution No. 7 of June 30, 2014, the Ordinary General Shareholder's Meeting decided that the net profit for the year ended on December 31, 2013 in the total amount of PLN 35,237 thousand will be paid out as a dividend in the amount of PLN 3,751 thousand and will increase supplementary capital in amount of PLN 31,486 thousand.

The financial statements for the financial year ended on December 31, 2013 was submitted to the National Court Register on 16 July 2014.

3. Information about the entity authorized to conduct audits and the key certified auditor performing the audit

The audit of the financial statements was performed based on the agreement dated July 10, 2014 concluded between Ceramika Nowa Gala S.A. and TPA Horwath Horodko Audit Sp. z o.o. with the registered office in Poznań, 12-18 Murawa Street, entered on the list of entities authorized to audit financial statements kept by the Polish Chamber of Certified Auditors under No. 3082. The audit was carried out on behalf of the authorized entity under the supervision of the Key Certified Auditor Krzysztof Dziekoński (Reg. No. 10089) from February 3, 2015 to March 19, 2015, including in the registered office of the Company from March 2 to March 6, 2015.

The auditing entity was appointed by the Supervisory Board with the resolution dated June 2, 2014.

TPA Horwath Horodko Audit Sp. z o.o. and the key certified auditor Krzysztof Dziekoński confirm that they are authorized to carry out audits and meet the requirements of Article 56 clauses 3 and 4 of the Act on Auditors and their Self-governing Body, Auditing Companies and on the Public Supervision (Act Journal of Law 2009, No. 77, item 649) to express an unbiased and independent opinion on the financial statements of Ceramika Nowa Gala S.A.

4. Availability of data and declarations of the Management Board

There were no limitations to the scope of the audit. During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed in a written representation of the Management Board of the Company as of March 19, 2015.

5. Economic and financial situation of the Company

Below we present the main items from the profit and loss account as well as financial ratios describing the financial result of the Company and its economic and financial situation in comparison with analogical financial data from the previous periods.

Main items from the profit and loss account (in thousand PLN)	2014	2013	2012
Revenues	145,278	159,017	181,780
Cost of sales	(135,905)	(141,439)	(160,799)
Selling, General and Administrative expenses	(23,666)	(26,016)	(24,647)
Other operating income	73	209	99
Other operating expenses	(1,522)	(2,801)	(1,563)
Financial income	11,811	45,712	684
Financial costs	(891)	(1,588)	(2,252)
Income tax	2,963	2,143	(1,225)
Net profit (loss)	(1,859)	35,237	(5,473)
Total income	(1,859)	35,235	(5,481)
Profitability ratios	2014	2013	2012
Return on assets (ROA)	(0.73%)	12.95%	(2.02%)
Return on equity (ROE)	(0.93%)	17.89%	(3.01%)
Gross sales margin	6.45%	11.05%	11.54%
Net margin	(1.28%)	22.16%	(3.01%)

Efficiency and liquidity ratios	2014	2013	2012
Current liquidity ratio	3.04	2.49	1.42
Quick ratio	1.29	0.99	0.56
Receivables turnover rate in days	67	80	80
Payables turnover in days	61	94	98
Inventory turnover in days	173	178	155
Structure ratios	2014	2013	2012
Share of fixed assets in total assets	56.3%	57.5%	58.5%
Share of current assets in total assets	43.7%	42.5%	41.5%
Share of equity in total liabilities	77.7%	79.0%	65.9%
Share of foreign capital in total liabilities	22.3%	21.0%	34.1%

Analysis of the above amounts and ratios indicates that in 2014 occurred the following trends:

- due to the loss generated in 2014, the rate of return on assets decreased comparing to previous year and amounted to minus 0.73%. The rate of return on equity also decreased, to minus 0.93% in current year, comparing to 17.89% in year ended December 31, 2013,
- the sales gross margin decreased to the level 6.45% in the year ended December 31, 2014 from 11.05% in the year 2013. The net margin also decreased to minus 1.28% in year 2014 from the level of 22.16% in year 2013,
- the financial liquidity in 2014 improved significantly comparing to 2013 year,
- receivables turnover rate in days was 67 days in the year ended December 31, 2014 and shortened by 13 days comparing to 2013,
- the rate of payment of liabilities shortened in average by 33 days from 94 days in the year 2013 to the level of 61 days in the year 2014,
- inventory turnover ratio in days slightly shortened in 2014 to 173 days, comparing to 178 days in 2013 year,
- structure ratios present decrease of fixed assets in total assets compared to the previous year and reduction in the share of equity in liabilities plus equity.

II DETAILED INFORMATION

1. Evaluation of the accounting system and internal control

Accounting system

The Company possesses up-to-date documentation describing the accounting principles (policy), including in particular: definition of the financial year and reporting periods thereof, methods of measuring assets and liabilities, and determining the financial result, method of keeping the accounting records and the system of data and file protection.

Accounting principles of calculating costs, valuating assets and liabilities and determining financial results applied by the Company comply with International Accounting Standards, as adopted by the EU and with the Accounting Act. Accounting principles, adopted by the Company during preparation of the financial statements comply with the Accounting Act and were applied consistently.

The Company uses computer accounting system of Oracle company, which allows recording all business transactions occurring in the Company. System is password protected against unauthorized access and has functional access controls.

Computerized accounting system allows automatic recording of business transactions between related entities and constant monitoring of this type of transactions. The description of computerized accounting system meets the requirements determined by article 10 clause 1 point 3 letter c of the Accounting Act.

Closing balance sheet as of December 31, 2013 was properly recorded as an opening balance sheet as of January 1, 2014.

In the audited sample, the documentation of business transactions, the accounting records and the relationships between the accounting entries and vouchers and the financial statements comply with the requirements determined by section 2 of the Accounting Act.

The accounting records and vouchers, the documentation of the accounting system of the Company are stored in compliance with section 8 of the Accounting Act.

Stocktaking

The Company performed an obligatory stock take procedure of assets and liabilities in the required scope, within the required dates and with frequency meeting the requirements of the Polish Accounting Act.

Differences identified during the stock take were included and settled in accounting records of the audited period

Internal control

The Company's Management Board is responsible for establishing and implementing the internal control system. For those purposes the Management Board must evaluate potential costs and benefits of establishment and implementation of internal control procedures.

During the stage of planning of Ceramika Nowa Gala S.A. financial statements audit for the year ended December 31, 2014, we took into consideration internal control system of the Company in order to select suitable auditing procedures.

2. Information about selected, material items of the financial statements

Fixed assets

The following table presents the structure of tangible fixed assets as of December 31, 2014:

Tangible fixed assets	Value in thousand PLN
Land, buildings and constructions	9,733
Plant equipment and machinery	30,911
Assets under construction and advanced payments for fixed assets	5,211
Other fixed assets	1,711
Total	47,566

The detailed information on changes in tangible fixed assets and intangible assets was correctly presented in the notes 9 and 10 of additional information to the financial statements.

Long-term investments

As of December 31, 2014 the Company presented in its balance sheet, investments in subsidiaries in the amount of PLN 78,859 thousand and other financial assets in the amount of PLN 121 thousand.

The notes 21 and 32 to the financial statements correctly presents detailed information related to changes in intangible assets and long – term investments of the Company.

Inventory

The inventory as of December 31, 2014 consisted of products and semi-finished products (67,3%), goods (12,5%), sources and materials (19,6%) and other (0,6%). The Company performed stock take according to the requirements and within the dates specified in the Polish Accounting Act.

As of December 31, 2014 the Company recognized impairment write-offs on inventory in the amount of PLN 1,198 thousand.

Short-term receivables

The balance of short-term receivables as of December 31, 2014 amounted to PLN 37,024 thousand and included the following items:

Short-term receivables	Value in thousand PLN
Trade and other receivables	41,939
Receivables from current income tax	874
Impairment write-offs on receivables	(5,789)
Total	37,024

Short-term investments

The short-term investments consisted of loans for subsidiaries in the amount of PLN 107 thousand and cash in hand and cash in bank accounts in the amount of PLN 6,591 thousand. Cash was disclosed correctly in the financial statements for the financial year ended December 31, 2014.

Long- and short-term prepayments

Deferred tax assets were estimated properly in the amount of PLN 6,937 thousand. Short-term prepayments as of December 31, 2014 amounted to PLN 342 thousand and were presented in the position of other current assets.

Equity

In the audited financial year the equity was correctly presented in balance.

Long-term liabilities

As of December 31, 2014 the Company's long-term liabilities and provisions amounted to PLN 18,800 thousand, including PLN 13,575 thousand of loans and credits and PLN 5,225 thousand of deferred tax liabilities.

Short-term liabilities

Short-term liabilities as of December 31, 2014 amounted to PLN 34,146 thousand and consisted of the following items:

Short-term liabilities	Value in thousand PLN
Trade liabilities and other liabilities	22,829
Credits, loans and debt securities issued	5,546
Provisions for employee benefits	772
Other provisions	4,999
Total	34,146

Notes to the financial statements correctly describe the structure of short-term liabilities. The position was complete and correct in all material aspects in relation to the whole financial statements..

Operating revenues and expenses

In the financial year ended December 31, 2014 the Company correctly presented the operating revenues and costs.

Operating income and expenses were completely and correctly recorded in all material aspects with respect to the financial statements.

3. Completeness and correctness of drawing up the introduction to the financial statements, additional information and explanations and the Management Board's Annual Report

Additional information and explanations, including accepted accounting policy and other notes to the financial statements present a fair and clear view of all material information. Those information are an integral part of the financial statements.

The Company prepared the additional information and explanations (notes) consisting of tabular notes to individual balance sheet and profit and loss account items as well as narrative descriptions, according to the IAS.

The Company presented properly positions of assets and liabilities plus equity as well as income and expenses in the financial statements. The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the cash flow statement with additional information and explanations being integral part of the financial statements include all material positions required under IAS.

The financial statements are supplemented with the Management Board's Annual Report prepared for the financial year ended December 31, 2014. The Management Board's Annual Report includes information required by Article 49 of the Accounting Act and Regulation of the Minister of Finance dated 19 February 2009 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws from 2009, No. 33, item. 259). We have verified the Management Board's Annual Report with regard to the disclosed information, derived directly from the audited financial statements.

Justification of the issued opinion

In our opinion the audited financial statements of Ceramika Nowa Gala S.A. for the financial year ended December 31, 2014 were prepared in all material aspects in accordance with accounting principle (policy) required by the International Accounting Standards (IAS), International Financial Reporting Standards and related interpretations announced by the European Commission and in the scope not regulated by the IAS, according to the requirements of the Accounting Act and implementing rules issued on its basis, related to the listed companies and reflect all information relevant for the assessment of the Company's economic and financial situation as of December 31, 2014.

4. Final information

Management Board's Representations

TPA Horwath Horodko Audit Sp. z o.o. and the key certified auditor received a representation letter from the Management Board of the Company in which the Board stated that the Company complied with the laws in force.

Key Certified Auditor's Representations

We have conducted the audit of the financial statements according to the binding law and auditing standards.

On behalf of

TPA Horwath Horodko Audit Sp. z o. o.
ul. Murawa 12-18, 61-655 Poznań
No. 3082

Krzysztof Dziekoński

Key Certified Auditor
conducting the audit
No. 10089

Warsaw, March 19, 2015

The above audit opinion together with auditor's report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.