



**Condensed consolidated interim financial
statements of**

**Ceramika Nowa Gala SA
Group**

for the period from 1 January 2016 to 30 June 2016

Końskie, 29 August 2016

Consolidated statement of profit and loss and other comprehensive income

for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN '000).

	H1 2016	H1 2015
Revenue	86,097	92,060
Cost of sales	65,759	69,039
Gross profit	20,338	23,021
Other income	-49	597
Selling and administrative expenses	20,869	20,650
Other expenses	456	1,139
Profit before interest and tax	-1,036	1,829
Finance income	204	396
Finance expenses	915	897
Share in profits of associates and joint ventures	-	-
Profit from continued operations before tax	-1,747	1,328
Income tax expense	67	-302
Profit from continued operations after tax	-1,814	1,630
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-1,814	1,630
Other comprehensive income that may not be transferred to the profit in the future		
Cost of buyback of treasury shares	-	-
Other comprehensive income that may be transferred to the profit in the future		
Exchange rate differences from translation	-2	-3
Total comprehensive income	-1,816	1,627
Net profit attributable to		
shareholders of the parent company	-1,814	1,630
non-controlling interests	-	-
	-1,814	1,630
Total comprehensive income attributable to		
shareholders of the parent company	-1,816	1,627
non-controlling interests	-	-
	-1,816	1,627

	Unit	H1 2016	H1 2015
Annualized profit/(loss)	PLN thousand	-3,092	2,127
Weighted average number of shares	thousand pcs	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.07	0.05
Weighted average diluted number of shares	thousand pcs	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.07	0.05

Consolidated statement of financial position as at 30 June 2016

Amounts in PLN thousand (PLN '000).

Assets	30.06.2016	31.12.2015
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	3,574	3,904
Property, plant and equipment	98,431	101,904
Investment property	7,550	7,550
Other financial assets	145	145
Deferred tax assets	10,982	11,081
Total non-current assets	139,533	143,435
Current assets		
Inventory	73,560	84,938
Trade and other receivables	47,269	37,306
Receivables from current income tax	-	343
Other financial assets	-	-
Cash and cash equivalents	15,850	9,894
Other current assets	919	398
Total current assets	137,598	132,879
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	277,131	276,314

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Consolidated statement of financial position as at 30 June 2016 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	30.06.2016	31.12.2015
Equity		
Share capital	46,894	46,894
Reserves	136,034	125,274
Revaluation reserve	-	-
Exchange rate differences from translation	3	5
Other reserves	8,719	8,719
Treasury shares	-	-
Retained earnings	-1,827	15,437
Equity attributable to shareholders of the parent company	189,823	196,329
Non-controlling interests	-	-
Total equity	189,823	196,329
Non-current liabilities		
Borrowings	30,492	31,508
Provision for deferred income tax	5,755	6,090
Provision for employee benefits	24	24
Total non-current liabilities	36,271	37,622
Current liabilities		
Trade and other payables	28,660*	26,360
Current tax liability	191	13
Borrowings	12,041	4,245
Other financial liabilities**	1,910	1,309
Provision for employee benefits	1,491	1,889
Other provisions	6,744	8,547
Total current liabilities	51,037	42,363
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	87,308	79,985
Total equity and liabilities	277,131	276,314
Book value (in PLN thousand)	189,823	196,329
Number of shares (in thousand)	46,894	46,894
Book value per share (in PLN)	4.05	4.19
Diluted number of shares (in thousand)	46,894	46,894
Diluted book value per share (in PLN)	4.05	4.19

* PLN 28,660 thousand includes a dividend liability in the amount of PLN 4,689 thousand (see Section 11)

**factoring agreement concluded by a subsidiary

Consolidated cash flow statement

for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN '000).

	H1 2016	H1 2015
<u>Operating activities</u>		
Net profit/(loss)	-1,814	1,630
Amortization and depreciation	6,818	6,808
Interest revenue and expenses	688	771
Exchange rate gains/(losses)	-35	292
Gain/(loss) on disposal of intangible and tangible non-current assets	-14	7
Movement of provisions, write-downs, prepayments and accruals	-2,722	-1,095
Income tax expense	67	-302
Other adjustments	2	-3
Cash flow from operations before movements in working capital	2990	8,108
Movement of inventory	11,382	1,088
Movement of receivables	-10,437	-11,050
Movement of liabilities	-3,160	15,944
Cash flow from operations before tax	775	14,090
Interest received from operating activities	1	37
Interest paid on operating activities	-	-1
Income tax paid	-97	-183
Net cash flow from operating activities	679	13,943
<u>Investing activities</u>		
Gain/(loss) on disposal of tangible and intangible non-current assets	49	20
Purchase of tangible and intangible non-current assets	-1,495	-3,883
Net cash from investing activities	-1,446	-3,863

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Consolidated cash flow statement for the period from 1 January 2016 to 30 June 2016 (contd.)

Amounts in PLN thousand (PLN '000).

	H1 2016	H1 2015
Financing activities		
Proceeds from borrowings	7,355	891
Inflows from other sources of funding*	601	1,179
Repayment of borrowings	-663	-10,943
Repayment of other sources of funding*	-	-
Interest paid pertaining to financing activities	-688	-823
Net cash from financing activities	6,605	-9,696
Net cash from financing activities	5,838	384
Cash and cash equivalents at the beginning of the period	9,894	13,206
Exchange rate differences	118	-320
Cash and cash equivalents at the end of the period	15,850	13,270
Structure of cash and cash equivalents:		
Unrestricted cash	15,741	11,141
Restricted cash	109	2,129
	15,850	13,270

*pertains to a factoring agreement concluded by a subsidiary

Consolidated statement of changes in equity for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN '000).

	Attributable to shareholders of the parent company							Total	Non-controlling interest	Total equity
	Share capital	Reserves	Exchange rate differences from translation	Other reserves	Revaluation reserve	Treasury shares	Retained earnings			
As at 1 January 2016	46,894	131,770	8	8,719	-	-	13,278	200,669	-	200,669
Total comprehensive income*	-	-	-3	-	-	-	1,630	1,627	-	1,627
Coverage of loss from previous years	-	-1,807	-	-	-	-	1,807	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
Dividend to be paid	-	-4,689	-	-	-	-	-	-4,689	-	-4,689
As at 30 June 2015	46,894	125,274	5	8,719	-	-	16,715	197,607	-	197,607
As at 1 January 2016	46,894	125,274	5	8,719	-	-	15,437	196,329	-	196,329
Total comprehensive income*	-	-	-2	-	-	-	-1,814	-1,816	-	-1,816
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	10,760	-	-	-	-	-10,760	-	-	-
Dividend to be paid	-	-	-	-	-	-	-4,690	-4,690	-	-4,690
As at 30 June 2016	46,894	136,034	3	8,719	-	-	-1,827	189,823	-	189,823

*After H1 2016, the amounts of comprehensive income were allocated to the following equity items: net loss in the amount of PLN 1,814 thousand decreased the amount of retained earnings, exchange rate differences from translation in the amount of PLN 2 thousand decreased the relevant capital item. After H1 2015, the amounts of comprehensive income were allocated to the following equity items: net profit in the amount of PLN 1,630 thousand increased the amount of retained earnings, exchange rate differences from translation in the amount of PLN 3 thousand decreased the relevant capital item.

Financial highlights

Euro exchange rates used to translate the items in the following table:

- as regards balance sheet data, the average exchange rates of NBP were used: 4.2615 PLN/EUR as at 31 December 2015 and 4.4255 PLN/EUR as at 30 June 2016;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, were used: 4,1341 PLN/EUR in H1 2015; 4.3805 PLN/EUR in H1 2016.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.9011 PLN/USD as at 31 December 2015 and 3.9803 PLN/USD as at 30 June 2016.

Consolidated data	in PLN thousand		in EUR thousand	
	H1 2016	2015 (comparable data)**	H1 2016	2015 (comparable data)**
I. Revenue	86,097	92,060	19,655	22,268
II. Profit/(loss) from operating activities	-1,036	1,829	-237	442
III. Profit/(loss) before tax	-1,747	1,328	-399	321
IV. Net profit/(loss)	-1,814	1,630	-414	394
V. Net cash flows from operating activities	679	13,943	155	3,373
VI. Net cash flows from investing activities	-1,446	-3,863	-330	-934
VII. Net cash flows from financing activities	6,605	-9,696	1,508	-2,345
VIII. Net cash flows (total)*	5,956	64	1,360	15
IX. Total assets	277,131	276,314	62,621	64,840
X. Liabilities and provisions for liabilities	87,308	79,985	19,728	18,769
XI. Non-current liabilities	36,271	37,622	8,196	8,828
XII. Current liabilities	51,037	42,363	11,532	9,941
XIII. Equity	189,823	196,329	42,893	46,070
XIV. Share capital	46,894	46,894	10,596	11,004
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.07	0.05	-0.02	0.01
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.07	0.05	-0.02	0.01
XVIII. Book value per share (in PLN/EUR)	4.05	4.19	0.91	1.00
XIX. Diluted book value per share (in PLN/EUR)	4.05	4.19	0.91	1.00
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

* Balance sheet movement of cash, taking into account the movement of revaluation from exchange rate differences.

**In the case of balance sheet items, comparable data relate to the balance as at 31 December 2015, while in the case of the other items, comparable data relate to H1 2015.

Additional Information

to the condensed consolidated interim financial statements for the period from 1 January 2016 to 30 June 2016

1. Principles adopted in the preparation of the condensed consolidated interim semi-annual report

When preparing the consolidated financial statements, the Company applies the accounting principles consistent with the International Financial Reporting Standards. All data have been derived from the accounting records of the subsidiaries, off-balance sheet records and consolidation documents.

The Group is composed of the following business entities whose financial statements are consolidated on a line-by-line basis:

- Ceramika Nowa Gala SA – the parent company;
- Ceramika Nowa Gala II Sp. z o.o. – subsidiary;
- Ceramika Gres SA – subsidiary;
- CNG Luxembourg S.à.r.l. – subsidiary;
- Energia Park Trzemoszna Sp. z o.o. company controlled by the subsidiaries.

Except for CNG Luxembourg S.à.r.l. subsidiary, the accounts of the subsidiary companies are kept based on the same accounting principles as those of the parent company. The accounts of CNG Luxembourg S.à.r.l. are kept in accordance with accounting standards applicable in Luxembourg, and its financial statements are subject to relevant transformations in the consolidation process.

These condensed consolidated interim financial statements were compiled in line with IAS 34. The applied accounting principles are the same as those which governed the preparation of the financial statements for 2015.

These condensed consolidated interim financial statements were prepared with the assumption that the companies which belong to the Group would continue their activities in the foreseeable future. On the day of approval of these financial statements for publication, there were no circumstances which would indicate any threat to the continuation of activities conducted by the companies of the Group.

These condensed consolidated interim financial statements do not contain all information and disclosures which are required to be included in the annual consolidated financial statements. Hence, all information contained herein should be read together with the consolidated financial statements of the Group for the financial year which ended on 31 December 2015, prepared in accordance with IFRSs.

2. Seasonal character of the Issuer's business

Similarly to other sectors, the ceramic tile industry is characterized by seasonal demand for the goods offered by the Issuer. The lowest demand is observed in winter (1st quarter and the last two months of the year), whereas the highest demand usually falls in summer months.

3. Impact of unusual events on the financial statements

- Lower profit due to incomplete utilization of production capacities: PLN 7,034 thousand. In the comparable period of 2015, profit was lower for the same reason by PLN 4,250 thousand. The increase results from a decrease in production caused by a reduction of finished products inventories.

- Adoption of a resolution by the General Meeting of Shareholders on the payment of a dividend (see Section 11): PLN 4,689 thousand.

4. Information on essential adjustments to provisions, including the deferred income tax provision and assets and write-downs on assets

- creating a provision for liabilities: PLN 6,121 thousand;
- utilizing the provision for liabilities: PLN 8,135 thousand;
- increasing the provision for deferred income tax: PLN 125 thousand;
- utilizing the provision for deferred income tax: PLN 460 thousand;
- increasing deferred income tax assets: PLN 1,844 thousand;
- utilizing deferred income tax assets: PLN 1,955 thousand;
- increasing the value of write-downs on inventory: PLN 400 thousand.

5. Business segments

The organizational structure of the Group is a functional one. Four key areas can be distinguished: sales, production, finance, administration and logistics. The key decisions regarding the ongoing operations and the Group's growth strategy are taken by the management. The Group specializes in the production of ceramic stoneware tiles which are sold under two brands: Ceramika Nowa Gala and Ceramika Gres. The sales policy is determined jointly for the whole Group. In accordance with the requirements of IFRS 8, only one operating segment has been distinguished.

5.1. Information on geographic segments

Amounts in PLN thousand (PLN '000).

	DOMESTIC		EXPORTS		TOTAL	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Revenue	70,839	76,880	15,258	15,180	86,097	92,060
Cost of sales	46,615	53,583	11,073	10,947	57,688	64,530
Sales result	24,224	23,297	4,185	4,233	28,409	27,530
Unallocated costs					8,071	4,509
Gross profit					20,338	23,021

Assets	30.06.201	31.12.201	30.06.201	31.12.201	30.06.201	31.12.201
	6	5	6	5	6	5
Trade receivables	35,872	30,325	7,960	5,248	43,832	35,573
Other receivables (unallocated)					3,437	1,733
					47,269	37,306

None of the export countries exceeds 10% of the share in consolidated revenue.

All fixed assets of the companies of the Group are located in Poland. CNG Luxembourg subsidiary does not own fixed assets and does not manufacture goods or conduct trade operations.

5.2. Information on product segments

The Group specializes in the production of ceramic stoneware tiles and supplementary

elements, sold within one joint offer. The remaining sales are marginal and concern raw materials or services.

Amounts in PLN thousand (PLN '000).

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Revenue from sales to external customers	85,979	91,805	118	255	86,097	92,060
Purchase of fixed assets	4,651	3,573	-	-	4,651	3,573

5.3. Information on significant customers

In H1 2016, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

6. Changes in off-balance sheet items relative to the annual report for 2015

There were changes in off-balance sheet items relative to the information disclosed in the last consolidated annual report. The liability regarding the purchase of plant and equipment was satisfied in total.

7. Loan agreements concluded in H1 2016

Neither Ceramika Nowa Gala SA nor its subsidiary companies concluded any loan agreements in H1 2016. On 22 April 2016, the Company was supposed to repay a working credit facility granted to it by Bank Handlowy SA. The Company resolved to repay it in total and not to revolve this bank facility.

8. Launching the operations of a subsidiary company based on a licence for trade in gas

On 7 August 2015, by way of a decision of the President of the Energy Regulatory Office, Energia Park Trzemoszna Sp. z o.o. of the Group was granted a licence for trade in gas fuels valid from 2 August 2015 to 31 December 2030. The Group uses this licence to purchase gas for the own use of the companies of the Group. To begin actual activity under the above-mentioned licence, it was necessary to obtain a tariff for trade in gas fuel approved by the President of the ERO and sign agreements with a Distribution System Operator and a Transmission System Operator. Under the Decision of the President of the ERO of 29 January 2016, Energia Park Trzemoszna Sp. z o.o. was assigned an approved tariff for trading in gas. The company also signed agreements with the Distribution System Operator (in February 2016) and the Transmission System Operator (in March 2016). In March 2016, the company began selling gas.

9. Signing an annex to the agreement providing for a loan to a subsidiary company

On 8 February 2016, Ceramika Nowa Gala SA signed an annex under which the loan granted to CNG Luxembourg S.à.r.l. subsidiary was increased by EUR 20 thousand. The amount of the loan granted to the subsidiary (without accrued interest) is currently EUR 45 thousand.

10. Signing annexes to comprehensive agreements on sale and distribution of natural gas concluded with RWE Polska SA

The companies of the Group signed annexes to comprehensive agreements on sale and distribution of natural gas concluded with RWE Polska SA (details of those agreements were provided in Current Report 9/2015 of 26 August 2015 and in the consolidated financial statements for 2015). In H1 2016, annexes amending the amounts of the seller's margins and extending the duration of the agreements until 31 December 2017 were signed. The other material terms and conditions remained unchanged.

11. Adoption of a resolution on dividend payment by the General Meeting of Shareholders

On 22 June 2016, the General Meeting of Shareholders adopted Resolution No. 7, pursuant to which PLN 4,689,362.10 was to be allocated towards dividend payment. The dividend will be paid from the net profit generated in 2015. One share will entitle to PLN 0.10 of the dividend. The record date was set for 12 August 2016, while the payment date was set for 30 August 2016.

12. Adoption of a resolution on dividend payment for Ceramika Nowa Gala SA by a subsidiary

On 22 June 2016, the Annual General Meeting of Shareholders of Ceramika Gres SA decided, by way of Resolution 5/2016, that part of the net profit of that company for 2015 in the amount of PLN 951,810.43 would be allocated for the payment of a dividend for the parent company, i.e. Ceramika Nowa Gala SA. The dividend will be paid by 28 February 2017.

13. Position of the Management Board concerning the implementation of financial forecasts for 2016

The Company did not publish any forecasts for 2016.

14. Infringing the terms and conditions applicable to selected financial indicators arising from loan agreements

Each bank loan can be repaid at an earlier date. Banks have the right to demand earlier repayment of loans, increase the margins and demand additional collateral in the event of a breach by a company of the Group of the material conditions of loan agreements or deterioration in the company's standing putting loan repayment at risk.

As regards the loans granted to Ceramika Nowa Gala SA by mBank SA, the conditions to achieve the level of the profit margin on sales and the net profit margin specified by the bank were not met as at the balance sheet date. Despite the failure to comply with the above-mentioned conditions, the bank, in accordance with the letter of 8 August 2016, does not intend to terminate the loan agreements.

The Company believes that all loans that need to be renewed in the next 12 months will be renewed, as was the case in earlier periods, not ruling out, however, change of the financing bank.

15. Important events that took place after the balance sheet date and before the date of the publication of this report

On 5 August 2016, Ceramika Nowa Gala SA and mFaktoring SA, based in Warsaw, concluded a non-recourse factoring agreement based on an insurance policy of the companies of the

Group. The factoring limit is PLN 25,000 thousand. The limit will be used depending on the amount of discounted invoices. (See the Company's Current Report 14/2016).

The aforementioned agreement will allow for decreasing the carrying amount of receivables to the amount disbursed to the Company by the factor.

Signatures

These financial statements were drawn up and signed on **29 August 2016** and will be published on 31 August 2016.

Management Board

Chief Accountant

Separate statement of profit and loss and other comprehensive income

for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN '000).

	H1 2016	H1 2015
Revenue	67,306	74,450
Cost of sales	57,600	66,182
Gross profit	9,706	8,268
Other income	13	34
Selling and administrative expenses	12,404	11,829
Other expenses	299	277
Profit before interest and tax	-2,984	-3,804
Finance income	1,057	16,316*
Finance expenses	352	220
Profit from continued operations before tax	-2,279	12,292
Income tax expense	-369	-584
Profit from continued operations after tax	-1,910	12,876
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-1,910	12,876
Other comprehensive income that may not be transferred to the profit in the future		
Cost of buyback of treasury shares	-	-
Total comprehensive income	-1,910	12,876

*of which amounts of dividends from subsidiary companies: from Ceramika Nowa Gala II Sp. z o.o.: PLN 10,516 thousand and from Ceramika Gres SA: PLN 5,494 thousand

	Unit	H1 2016	H1 2015
Annualized profit/(loss)	PLN thousand	-5,860	17,195
Weighted average number of shares	thousand pcs	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.12	0.37
Weighted average diluted number of shares	thousand pcs	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.12	0.37

Separate statement of financial position as at 30 June 2016

Amounts in PLN thousand (PLN '000).

Assets	30.06.2016	31.12.2015
Non-current assets		
Intangible assets	380	420
Property, plant and equipment	40,367	41,474
Investments in related parties	78,044	77,944
Other financial assets	121	121
Deferred tax assets	7,042	7,046
Total non-current assets	125,954	127,005
Current assets		
Inventory	61,066	61,443
Trade and other receivables	36,203	42,931
Receivables from current income tax	-	-
Loans granted to subsidiaries	216	116
Other financial assets	-	-
Cash and cash equivalents	6,151	2,603
Other current assets	501	155
Total current assets	104,137	107,248
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	230,091	234,253

(continued on the next page)

Separate statement of financial position as at 30 March 2016 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	30.06.2016	31.12.2015
Equity		
Share capital	46,894	46,894
Reserves	137,475	133,237
Revaluation reserve	-	-
Other reserves	-	-
Treasury shares	-	-
Retained earnings	-1,910	8,927
Total equity	182,459	189,058
Non-current liabilities		
Borrowings	1,241	5,613
Provision for deferred income tax	3,792	4,165
Other provisions	-	-
Total non-current liabilities	5,033	9,778
Current liabilities		
Trade and other payables	25,030*	23,681
Current tax liability	-	-
Borrowings	12,041	4,245
Provision for employee benefits	947	1,483
Other provisions	4,581	6,008
Total current liabilities	42,599	35,417
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	47,632	45,195
Total equity and liabilities	230,091	234,253

* includes a liability to pay a dividend in the amount of PLN 4,689 thousand

	Unit	30.06.2016	31.12.2015
Book value	PLN thousand	182,459	189,058
Number of shares	thousand pcs	46,894	46,894
Book value per share	PLN thousand	3.89	4.03
Diluted number of shares	thousand pcs	46,894	46,894
Diluted book value per share	PLN	3.89	4.03

Separate cash flow statement

for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN `000)

	H1 2016	H1 2015
<u>Operating activities</u>		
Net profit/(loss)	-1,910	12,876
Amortization and depreciation	3,789	3,835
Dividend income	-952	-16,010
Interest revenue and expenses	59	80
Exchange rate gains/(losses)	70	59
Gain/(loss) on disposal of intangible and tangible non-current assets	49	-2
Movement of provisions, write-downs, prepayments and accruals	-2,309	-1,022
Income tax expense	-369	-584
Cash flow from operations before movements in working capital	-1,573	-768
Movement of inventory	377	-77
Movement of receivables	-6,308	-1,378
Movement of liabilities	7,533	7,399
Cash flow from operations before tax	29	5,176
Interest received from operating activities	-	24
Interest paid on operating activities	-	-1
Income tax paid	-	-85
Net cash flows from operating activities	29	5,114
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	14	12
Dividends received**	1,217	-
Purchase of tangible and intangible non-current assets	-809	-1,277
Loans granted	-88	-
Net cash from investing activities	334	-1,265

(continued on the next page)

Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN `000)

	H1 2016	H1 2015
<u>Financing activities</u>		
Proceeds from borrowings	3,999	891
Repayment of borrowings	-662	-8,900
Interest paid pertaining to financing activities	-165	-215
Net cash from financing activities	3,172	-8,224
Net cash from financing activities	3,535	-4,375
Cash and cash equivalents at the beginning of the period	2,603	6,591
Exchange rate differences	13	-87
Cash and cash equivalents at the end of the period	6,151	2,129
<u>Structure of cash and cash equivalents:</u>		
Unrestricted cash	6,092	2,068
Restricted cash	59	61
	6,151	2,129

Separate statement of changes in equity for the period from 1 January 2016 to 30 June 2016

Amounts in PLN thousand (PLN '000)

	Share capital	Reserves	Other reserves	Revaluation reserve	Treasury shares	Retained earnings	Total equity
As at 1 January 2015	46,894	139,786	-	-	-	-1,859	184,821
Total comprehensive income*	-	-	-	-	-	12,876	12,876
Coverage of loss from previous years	-	-1,859	-	-	-	1,859	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Dividend to be paid	-	-4,690	-	-	-	-	-4,690
As at 30 June 2015	46,894	133,237	-	-	-	12,876	193,007
As at 1 January 2016	46,894	139,786	-	-	-	-1,859	184,821
Total comprehensive income*	-	-	-	-	-	-1,910	-1,910
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	4,238	-	-	-	-4,238	4,238
Payment of dividend	-	-	-	-	-	-4,689	-4,689
As at 30 June 2016	46,894	137,475	-	-	-	-1,910	182,459

*The amount of total comprehensive income for H1 2016 includes only a net loss of PLN 1,910 thousand. The amount of total comprehensive income for H1 2015 includes only net profit of PLN 12,876 thousand.

Financial highlights

Euro exchange rates used to translate the items in the following table:

- as regards balance sheet data, the average exchange rates of NBP were used: 4.2615 PLN/EUR as at 31 December 2015 and 4.4255 PLN/EUR as at 30 June 2016;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, were used: 4,1341 PLN/EUR in H1 2015; 4.3805 PLN/EUR in H1 2016.

Separate data	in PLN thousand		in EUR thousand	
	H1 2016	2015 (comparable data)*	H1 2016	2015 (comparable data)*
I. Revenue	67,306	74,450	15,365	18,009
II. Profit/(loss) from operating activities	-2,984	-3,804	-681	-920
III. Profit/(loss) before tax	-2,279	12,292	-520	2,973
IV. Net profit/(loss)	-1,910	12,876	-436	3,115
V. Net cash flows from operating activities	29	5,114	7	1,237
VI. Net cash flows from investing activities	334	-1,265	76	-306
VII. Net cash flows from financing activities	3,172	-8,224	724	-1,989
VIII. Net cash flows (total)	3,548	-4,462	810	-1,079
IX. Total assets	230,091	234,253	51,992	54,970
X. Liabilities and provisions for liabilities	47,632	45,195	10,763	10,605
XI. Non-current liabilities	5,033	9,778	1,137	2,294
XII. Current liabilities	42,599	35,417	9,626	8,311
XIII. Equity	182,459	189,058	41,229	44,364
XIV. Share capital	46,894	46,894	10,596	11,004
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.12	0.37	-0.03	0.09
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.12	0.37	-0.03	0.09
XVIII. Book value per share (in PLN/EUR)	3.89	4.03	0.88	0.95
XIX. Diluted book value per share (in PLN/EUR)	3.89	4.03	0.88	0.95
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

* Balance sheet movement of cash, taking into account the movement of revaluation from exchange rate differences.

**In the case of balance sheet items, comparable data relate to the balance as at 31 December 2015, while in the case of the other items, comparable data relate to H1 2015.

Additional Information

to the condensed separate interim financial statements of Ceramika Nowa Gala SA for the period from 1 January 2016 to 30 June 2016

1. Principles adopted in the preparation of the condensed separate interim semi-annual report

These condensed separate interim financial statements were compiled in line with IAS 34. The applied accounting principles are the same as those which governed the preparation of the financial statements for 2015.

These financial statements were prepared with the assumption that the Company would continue its activities in the foreseeable future. On the day of approval of these financial statements for publication, there were no circumstances which would indicate any threat to the continuation of activities conducted by the Company.

These condensed separate interim financial statements do not contain all information and disclosures which are required to be included in the annual consolidated financial statements. Hence, all information contained herein should be read together with the separate financial statements for the financial year which ended on 31 December 2015, prepared in accordance with IFRSs.

2. Seasonal character of the Issuer's business

Similarly to other sectors, the ceramic tile industry is characterized by seasonal demand for the goods offered by the Issuer. The lowest demand is observed in winter (1st quarter and the last two months of the year), whereas the highest demand usually falls in summer months.

3. Impact of unusual events on the financial statements

- Lower profit due to production standstills resulting from, among other things, reducing finished products inventories: 2. PLN 336 thousand.
- Compensation of the remaining part of the dividend (PLN 7,378,205.60) paid to the parent company (see Section 10). The transaction affects only the separate financial statements and is eliminated in the consolidated ones.
- Adoption of a resolution by the General Meeting of Shareholders on the payment of a dividend (see Section 11): PLN 4,689 thousand.
- Adoption of resolutions by the General Meetings of Shareholders of subsidiary companies on payment of dividends for Ceramika Nowa Gala SA (see Section **Błąd! Nie można odnaleźć źródła odwołania.**).

4. Information on essential adjustments to provisions, including the deferred income tax provision and assets and write-downs on assets

- creating a provision for liabilities: PLN 3.530 thousand;
- utilizing the provision for liabilities: PLN 5.325 thousand;
- increasing the provision for deferred income tax: PLN 23 thousand;
- utilizing the provision for deferred income tax: PLN 397 thousand;
- increasing deferred income tax assets: PLN 1.357 thousand;
- utilizing deferred income tax assets: PLN 1,359 thousand.

5. Business segments

For the first half-year, Ceramika Nowa Gala SA publishes consolidated financial statements.

Therefore, information on business segments is provided only with respect to consolidated data.

6. Changes in off-balance sheet items relative to the annual report for 2015

There were changes in off-balance sheet items relative to the information disclosed in the last annual report. The liability regarding the purchase of plant and equipment was satisfied in total.

7. Loan agreements concluded in H1 2016

Ceramika Nowa Gala SA did not conclude any loan agreement in H1 2016. On 22 April 2016, the Company was supposed to repay a working credit facility granted to it by Bank Handlowy SA. The Company resolved to repay it in total and not to revolve this bank facility.

8. Signing an annex to the agreement providing for a loan to a subsidiary company

On 8 February 2016, Ceramika Nowa Gala SA signed an annex under which the loan granted to CNG Luxembourg S.à.r.l. subsidiary was increased by EUR 20 thousand. The amount of the loan granted to the subsidiary (without accrued interest) is currently EUR 45 thousand.

9. Signing annexes to comprehensive agreements on sale and distribution of natural gas concluded with RWE Polska SA

The Company signed an annex to a comprehensive agreement on sale and distribution of natural gas concluded with RWE Polska SA (details of this agreement were provided in Current Report 9/2015 of 26 August 2015 and in the consolidated financial statements for 2015). In H1 2016, annexes amending the amounts of the seller's margins and extending the duration of the agreement until 31 December 2017 were signed. The other material terms and conditions remained unchanged.

10. Offsetting of the remaining part of the dividend from the subsidiary

On 17 June 2015, the Annual General Meeting of Shareholders of Ceramika Nowa Gala II Sp. z o.o. subsidiary decided, by way of Resolution 3, that the net profit of that company for 2014 in the amount of PLN 10,516,237.60 would be allocated towards the payment of a dividend for the parent company, i.e. Ceramika Nowa Gala SA. The remaining part of the dividend (PLN 7,378,205.60) was offset with other accounts in February 2016.

11. Adoption of a resolution on dividend payment by the General Meeting of Shareholders

On 22 June 2016, the General Meeting of Shareholders adopted Resolution No. 7, pursuant to which PLN 4,689,362.10 was to be allocated towards dividend payment. The dividend will be paid from the net profit generated in 2015. One share will entitle to PLN 0.10 of the dividend. The record date was set for 12 August 2016, while the payment date was set for 30 August 2016.

12. Adoption of a resolution on dividend payment for Ceramika Nowa Gala SA by a subsidiary

On 22 June 2016, the Annual Meeting of Shareholders of Ceramika Gres SA decided, by way of Resolution 5/2016, that part of the net profit of that company for 2015 in the amount of

PLN 951,810.43 would be allocated for the payment of a dividend for the parent company, i.e. Ceramika Nowa Gala SA. The dividend will be paid by 28 February 2017.

13. Position of the Management Board concerning the implementation of financial forecasts for 2016

The Company did not publish any forecasts for 2016.

14. Infringing the terms and conditions applicable to selected financial indicators arising from loan agreements

Each bank loan can be repaid at an earlier date. Banks have the right to demand earlier repayment of loans, increase the margins and demand additional collateral in the event of a breach by the Company of the material conditions of loan agreements or deterioration in the Company's standing putting loan repayment at risk.

As regards the loans granted to Ceramika Nowa Gala SA by mBank SA, the conditions to achieve the level of the profit margin on sales and the net profit margin specified by the bank were not met as at the balance sheet date. Despite the failure to comply with the above-mentioned conditions, the bank, in accordance with the letter of 8 August 2016, does not intend to terminate the loan agreements.

The Company believes that all loans that need to be renewed in the next 12 months will be renewed, as was the case in earlier periods, not ruling out, however, change of the financing bank.

15. Important events that took place after the balance sheet date and before the date of the publication of this report

Apart from the events listed in Section 15 of the Additional Information to the consolidated financial statements for H1 2016, no other important events occurred after the balance sheet date.

Signatures

These financial statements were drawn up and signed on **29 August 2016** and will be published on 31 August 2016.

Management Board

Chief Accountant



**Semi-annual report on the activities of
the Group for which**

**Ceramika Nowa Gala SA is its
parent company**

for the period from 1 January 2016 to 30 June 2016

Końskie, 29 August 2016

1. Principles of drawing up the condensed consolidated interim financial statements and the description of the organizational structure of the Company's Group

The principles of drawing up the condensed consolidated interim financial statements and the description of the Group have been included in the additional information to the condensed consolidated interim financial statements.

2. Appointment of the Management Board and the Supervisory Board of the Company for the new term of office

On 22 June 2016, the General Meeting of the Company's shareholders appointed the Supervisory Board of the Issuer for the next term of office. The new Supervisory Board is composed of the following members:

- Mr. Paweł Marcinkiewicz – Chairman of the Supervisory Board;
- Mr. Grzegorz Ogonowski – Vice Chairman of the Supervisory Board;
- Mr. Łukasz Żuk – Member of the Supervisory Board;
- Mr. Wojciech Włodarczyk – Member of the Supervisory Board;
- Mr. Jacek Tomasiak – Member of the Supervisory Board.

All those persons served the same functions during the previous term of office.

On 22 June 2016, the Supervisory Board of the Issuer appointed also the Management Board of the Issuer for the next term of office. The new Supervisory Board is composed of two members: Mr. Waldemar Piotrowski – holding the function of the President of the Management Board, and Mr. Paweł Górnicki, who has been appointed Vice President of the Management Board. Both Waldemar Piotrowski and Paweł Górnicki served the same functions during the previous term of office.

3. Position of the Management Board concerning the implementation of financial forecasts for 2016

The Company did not publish any forecasts for 2016.

4. Shareholders holding at least 5% of the total number of votes at the General Meeting on the day of publishing the consolidated quarterly report

According to the information obtained by the Company, the following shareholders hold shares authorizing them to at least 5% of votes at the General Meeting of Shareholders. The following information is based on communications provided to the Company by the shareholders.

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otwarty Fundusz Emerytalny	9,356,722	19.95%	9,356,722	19.95%
PTE Allianz Polska SA	6,049,157	12.90%	6,049,157	12.90%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,834,364	12.44%	5,834,364	12.44%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	4,746,672	10.12%	4,746,672	10.12%

ING Otworthy Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny

Shareholders holding at least 5% of votes at the General Meeting of Shareholders in accordance with the consolidated quarterly report for Q1 2016 published on 16 May 2016.

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otworthy Fundusz Emerytalny	9,356,722	19.95%	9,356,722	19.95%
PTE Allianz Polska SA	6,049,157	12.90%	6,049,157	12.90%
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	5,834,364	12.44%	5,834,364	12.44%
Nationale-Nederlanden Otworthy Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	4,746,672	10.12%	4,746,672	10.12%

ING Otworthy Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny

5. Statement of changes in the Company's shareholding structure with respect to the Company's shares or rights to shares held by its managing and supervisory persons

According to the information obtained by the Company, from the date of the publication of the last quarterly report to the date of the publication of this report, there have been no changes in the Company's shareholding structure with respect to its managing and supervisory persons.

As at the date of this report, it follows from the information available to the Company that:

- Mr. Waldemar Piotrowski, President of the Management Board, holds: 10,806,249 shares of the Company, representing 23.04% of the share capital and authorizing their holder to the same number of votes at the General Meeting of Shareholders;
- Mr. Paweł Górnicki, Vice-President of the Management Board, holds: 352,077 shares of the Company, representing 0.75% of the share capital and authorizing their holder to the same number of votes at the General Meeting of Shareholders;
- Mr. Zbigniew Polakowski, Proxy, holds: 12,070 shares of the Company, representing 0.02% of the share capital and authorizing their holder to the same number of votes at the general shareholders' meeting.

6. Information on proceedings to which the Company or its subsidiary is a party, whose value constitutes at least 10% of the Company's equity

There are no such proceedings.

7. Information on entering by the Company or its subsidiary into one or more transactions with related parties, where such transactions are significant, either individually or collectively, and were concluded otherwise than on an arm's length basis

In the period covered by this report, no transactions were concluded with related entities by the Company or its subsidiaries, neither individually nor jointly, that would be significant and concluded under terms other than on the arm's length basis.

8. Information on granting a loan guarantee, a loan, or credit sureties by Ceramika Nowa Gala SA or its subsidiaries, of values equivalent to at least 10% of the equity of Ceramika Nowa Gala SA

Neither Ceramika Nowa Gala SA nor its subsidiaries granted in H1 2016 loan guarantees, loans or sureties whose values were equivalent to at least 10% of the Issuer's equity.

9. Factors which the Company believes to affect the results achieved by the Group at least within the next half-year

Factors which may influence financial results of the Group in the nearest future include:

- foreign exchange volatility;
- uncertainty about the dynamics of economic growth in Poland and on markets to which the Group exports its products;
- uncertainty due to the conflict in Ukraine;
- growth of sales of new product lines;
- increase in the cost of purchasing certain raw materials;
- seasonal increase in sales in Q3 2016.

As regards the parent company, no circumstances occurred that could have had an impact on the assessment of its financial position and that were not disclosed in these financial statements.

Signatures

These financial statements were drawn up and signed on **29 August 2016** and will be published on 31 August 2016.

Management Board

Chief Accountant