



**Consolidated interim financial statements
of**

**Ceramika Nowa Gala SA
Group**

for the period from 1 January to 31 March 2017

including information on quarterly finances referred to in Article 87(1) of the Regulation of the Council of Ministers of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-Member State may be recognized as equivalent.

Końskie, 15 May 2017

Consolidated statement of profit and loss and other comprehensive income

for the period from 1 January to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Q1 2017	Q1 2016
Revenue	38,642	40,067
Cost of sales	29,933	29,210
Gross profit	8,709	10,857
Other income	113	11
Selling and administrative expenses	9,836	10,590
Other expenses	241	381
Profit before interest and tax	-1,255	-103
Finance income	40	15
Finance expenses	603	602
Profit from continued operations before tax	-1,818	-690
Income tax expense	-204	-113
Profit from continued operations after tax	-1,614	-577
Profit from discontinued operations after tax	-	-
Profit for the year	-1,614	-577
Other comprehensive income that may be transferred to the profit in the future		
Exchange rate differences from translation	10	1
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-1,610	-576
Net profit attributable to		
shareholders of the parent company	-1,614	-577
non-controlling interests	-	-
	-1,614	-577
Total comprehensive income attributable to		
shareholders of the parent company	-1,610	-576
non-controlling interests	-	-
	-1,610	-576

	Unit	Q1 2017	Q1 2016
Annualized profit/(loss)	PLN thousand	-9,987	-238
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.21	-0.005
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.21	-0.005

Consolidated statement of financial position as at 31 March 2017

Amounts in PLN thousand (PLN '000)

Assets	31.03.2017	31.12.2016
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	3,078	3,243
Property, plant and equipment	86,923	88,408
Investment property	7,550	7,550
Other financial assets	145	145
Deferred tax assets	10,518	10,561
Total non-current assets	127,065	128,758
Current assets		
Inventory	66,434	68,919
Trade and other receivables	29,227	25,673
Receivables from current income tax	10	2
Other financial assets	-	-
Cash and cash equivalents	20,666	22,596
Other current assets	970	421
Total current assets	117,307	117,611
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	244,372	246,369

(continued on the next page)

Consolidated statement of financial position as at 31 March 2017 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	31.03.2017	31.12.2016
Equity		
Share capital	46,894	46,894
Capital reserves	136,034	136,034
Revaluation reserve	-	-
Exchange rate differences from translation	12	2
Reserve capital	8,719	8,719
Retained earnings	-10,577	-8,963
Equity attributable to shareholders of the parent company	181,082	182,686
Non-controlling interests	-	-
Total equity	181,082	182,686
Non-current liabilities		
Borrowings	22,385	848
Provision for deferred income tax	4,623	4,909
Provision for employee benefits	24	24
Total non-current liabilities	27,032	5,781
Current liabilities		
Trade and other payables	24,372	22,651
Current tax liability	37	331
Borrowings	4,389	24,052
Factoring liability	1,034	1,401
Provision for employee benefits	1,629	1,492
Other provisions	4,797	7,975
Total current liabilities	36,258	57,902
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	63,290	63,683
Total equity and liabilities	244,372	246,369
Book value (in PLN thousand)	181,082	182,686
Number of shares (in thousand shares)	46,894	46,894
Book value per share (in PLN)	3.86	3.90
Diluted number of shares (in thousand shares)*	46,894	46,894
Diluted book value per share (in PLN)	3.86	3.90

Consolidated cash flow statement for the period from 1 January to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Q1 2017	Q1 2016
<u>Operating activities</u>		
Net profit/(loss)	-1,614	-577
Amortization and depreciation	3,216	3,376
Interest revenue and expenses	332	379
Exchange rate gains/(losses)	81	158
Gain/(loss) on disposal of intangible and tangible non-current assets	-58	11
Movement in provisions, write-downs, prepayments and accruals	-3,742	-5,602
Income tax expense	-204	-113
Other adjustments	-118	-1
Cash flow from operations before movements in working capital	-2,107	-2,369
Movement in inventory	2,485	2,637
Movement in receivables	-3,405	663
Movement in liabilities	1,772	-5,036
Cash flow from operations before tax	-1,255	-4,105
Interest received from operating activities	1	1
Interest paid on operating activities	-	-1
Income tax paid	-341	-95
Net cash from operating activities	-1,595	-4,201
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	63	36
Purchase of tangible and intangible non-current assets	-1,523	-1,254
Net cash from investing activities	-1,460	-1,218

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Consolidated cash flow statement for the period from 1 January 2017 to 31 March 2017 (contd.)

Amounts in PLN thousand (PLN '000)

	Q1 2017	Q1 2016
<u>Financing activities</u>		
Proceeds from borrowings	2,229	6,116
Proceeds from factoring	-	-
Repayment of borrowings	-276	-389
Repayment of factoring liabilities	-367	-290
Interest paid pertaining to financing activities	-313	-381
Net cash from financing activities	1,273	5,056
Net cash from financing activities	-1,782	-363
Cash and cash equivalents at the beginning of the period	22,596	9,894
Exchange rate differences	-148	-144
Cash and cash equivalents at the end of the period	20,666	9,387
<u>Structure of cash and cash equivalents:</u>		
Unrestricted cash	20,157	9,195
Restricted cash	509	192
	20,666	9,387

Consolidated statement of changes in equity

for the period from 1 January to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Attributable to the shareholders of the parent company							Total	Non-controlling interests	Total equity
	Share capital	Capital reserves	Foreign exchange differences from translation	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings			
As at 1 January 2016	46,894	125,274	5	8,719	-	-	15,437	196,329	-	196,329
Total comprehensive income*	-	-	1	-	-	-	-577	-576	-	-576
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2016	46,894	125,274	6	8,719	-	-	14,860	195,753	-	195,753
As at 1 January 2017	46,894	136,034	2	8,719	-	-	-8,963	182,686	-	182,686
Total comprehensive income*	-	-	10	-	-	-	-1,614	-1,604	-	-1,604
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2017	46,894	136,034	12	8,719	-	-	-10,577	181,082	-	181,082

*After Q1 2017, the amount of total income was attributed to the following items: net loss in the amount of PLN 1,614 thousand, which decreased the value of retained earnings, while foreign exchange differences from translation of the financial statements of CNG Luxembourg S. à.r. l. subsidiary from EUR into PLN, in the amount of PLN 10 thousand, were recognized (in minus) in the "foreign exchange differences from translation" item. After Q1 2016, the amount of total income was attributed to the following items: net loss in the amount of PLN 577 thousand, which decreased the value of retained earnings, while foreign exchange differences from translation of the financial statements of CNG Luxembourg S. à.r. l. subsidiary from EUR into PLN, in the amount of PLN 1 thousand, were recognized (in plus) in the "foreign exchange differences from translation" item.

Financial highlights

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

- as for balance sheet data, the average exchange rates of the NBP were used: 4.424 PLN/EUR as at 31 December 2016 and 4.2198 PLN/EUR as at 31 March 2017;
- 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, prevailing on the last day of each month in the reporting period, were used: 4.3559 PLN/EUR in 2016; 4.2891 PLN/EUR in 2017.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.9455 PLN/USD as at 31 March 2017 and 4.1793 PLN/USD as at 31 December 2016.

Consolidated data	in PLN thousand		in EUR thousand	
	Q1 2017	Q1 2016 (comparable data)**	Q1 2017	Q1 2016 (comparable data)**
I. Revenue	38,642	40,067	9,009	9,198
II. Profit/(loss) from operating activities	-1,255	-103	-293	-24
III. Profit/(loss) before tax	-1,818	-690	-424	-158
IV. Net profit/(loss)	-1,614	-577	-376	-132
V. Net cash flows from operating activities	-1,595	-4,201	-372	-964
VI. Net cash flows from investing activities	-1,460	-1,218	-340	-280
VII. Net cash flows from financing activities	1,273	5,056	297	1,161
VIII. Net cash flows (in total)*	-1,930	-507	-450	-116
IX. Total assets	244,372	246,369	57,911	55,689
X. Liabilities and provisions for liabilities	63,290	63,683	14,998	14,395
XI. Non-current liabilities	27,032	5,781	6,406	1,307
XII. Current liabilities	36,258	57,902	8,592	13,088
XIII. Equity	181,082	182,686	42,912	41,294
XIV. Share capital	46,894	46,894	11,113	10,600
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.21	-0.01	-0.05	0.00
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.21	-0.01	-0.05	0.00
XVIII. Book value per share (in PLN/EUR)	3.86	3.90	0.92	0.88
XIX. Diluted book value per share (in PLN/EUR)	3.86	3.90	0.92	0.88
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

* Balance sheet movement in cash accounting for the movement in revaluation from foreign exchange differences.

** Comparable data for the previous year include: in the case of income statement amounts and cash flow statement amounts – data for the first quarter of the previous year, while in the case of balance sheet data – amounts as at 31 December of the previous year.

Separate statement of profit and loss and other comprehensive income

for the period from 1 January 2017 to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Q1 2017	Q1 2016
Revenue	29,584	35,429
Cost of sales	25,591	30,459
Gross profit	3,993	4,970
Other income	62	7
Selling and administrative expenses	5,777	6,384
Other expenses	45	122
Profit before interest and tax	-1,767	-1,529
Finance income	43	53
Finance expenses	124	207
Profit from continued operations before tax	-1,848	-1,683
Income tax expense	-396	-149
Profit from continued operations after tax	-1,452	-1,534
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-1,452	-1,534
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-1,452	-1,534

	Unit	Q1 2017	Q1 2016
Annualized profit/(loss)	PLN thousand	-5,690	9,438
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.12	0.2
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.12	0.20

Separate statement of financial position as at 31 March 2017

Amounts in PLN thousand (PLN '000)

Assets	31.03.2017	31.12.2016
Non-current assets		
Intangible assets	320	340
Property, plant and equipment	36,630	37,182
Investments in related parties	78,241	78,241
Other financial assets	121	121
Deferred tax assets	6,768	6,628
Total non-current assets	122,080	122,512
Current assets		
Inventory	51,350	54,050
Trade and other receivables	18,021	16,756
Receivables from current income tax	-	-
Cash and cash equivalents	14,315	16,309
Other current assets	595	171
Total current assets	84,281	87,286
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	206,361	209,798

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Separate statement of financial position as at 31 March 2017 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	31.03.2017	31.12.2016
Equity		
Share capital	46,894	46,894
Capital reserves	137,745	137,475
Revaluation reserve	-	-
Reserve capital	-	-
Retained earnings	-7,223	-5,771
Total equity	177,146	178,598
Non-current liabilities		
Borrowings	621	848
Provision for deferred income tax	2,260	2,876
Provision for employee benefits	-	-
Other provisions	-	-
Total non-current liabilities	3,241	3,724
Current liabilities		
Trade and other payables	16,774	16,627
Current tax liability	-	-
Borrowings	4,389	4,506
Provision for employee benefits	1,222	1,007
Other provisions	3,589	5,336
Total current liabilities	25,974	27,476
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	29,215	31,200
Total equity and liabilities	206,361	209,798

	Unit	31.03.2017	31.12.2016
Book value	PLN thousand	177,146	178,598
Number of shares	thousand shares	46,894	46,894
Book value per share	PLN thousand	3.78	3.81
Diluted number of shares	thousand shares	46,894	46,894
Diluted book value per share	PLN	3.78	3.81

Separate cash flow statement

for the period from 1 January to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Q1 2017	Q1 2016
<u>Operating activities</u>		
Net profit/(loss)	-1,452	-1,534
Amortization and depreciation	1,950	1,877
Interest revenue and expenses	34	25
Exchange rate gains/(losses)	-47	71
Gain/(loss) on disposal of intangible and tangible non-current assets	-41	-1
Movement in provisions, write-downs, prepayments and accruals	-1,954	-3,964
Income tax expense	-396	-149
Other adjustments	-127	-
Cash flow from operations before movements in working capital	-2,033	-3,675
Movement in inventory	2,700	-1,129
Movement in receivables	-1,421	-2,185
Movement in liabilities	56	3,162
Cash flow from operations before tax	-698	-3,827
Interest received from operating activities	-	-
Interest paid on operating activities	-	-3
Income tax paid	-	-
Net cash from operating activities	-698	-3,830
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	14	14
Dividends received from subsidiary companies	-	1,217
Purchase of tangible and intangible non-current assets	-989	-1,052
Loans granted to subsidiaries	-	-88
Net cash from investing activities	-975	91

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Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN `000)

	Q1 2017	Q1 2016
Financing activities		
Proceeds from borrowings	11	3,125
Repayment of borrowings	-278	-388
Interest paid pertaining to financing activities	-34	-75
Net cash from financing activities	-301	2,662
Net cash from financing activities	-1,974	-1,077
Cash and cash equivalents at the beginning of the period	16,309	2,603
Exchange rate differences	-20	-57
Cash and cash equivalents at the end of the period	14,315	1,469
Structure of cash and cash equivalents:		
Unrestricted cash	14,030	1,341
Restricted cash	285	128
	14,315	1,469

Separate statement of changes in equity for the period from 1 January 2017 to 31 March 2017

Amounts in PLN thousand (PLN '000)

	Share capital	Capital reserves	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings	Total equity
As at 1 January 2016	46,894	133,237	-	-	-	8,927	189,058
Total comprehensive income*	-	-	-	-	-	-1,534	-1,534
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-
As at 31 March 2016	46,894	133,237	-	-	-	7,393	187,524
As at 1 January 2017	46,894	137,475	-	-	-	-5,771	178,598
Total comprehensive income*	-	-	-	-	-	-1,452	-1,452
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-
As at 31 March 2017	46,894	137,475	-	-	-	-7,223	177,146

* After Q1 2017, the amount of total income included: net loss in the amount of PLN 1,452 thousand which decreased the amount of retained earnings. After Q1 2016, the amount of total income included: net loss in the amount of PLN 1,534 thousand which decreased the amount of retained earnings.

Financial highlights

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

- as for balance sheet data, the average exchange rates of the NBP were used: 4.424 PLN/EUR as at 31 December 2016 and 4.2198 PLN/EUR as at 31 March 2017;
- 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, prevailing on the last day of each month in the reporting period, were used: 4.3559 PLN/EUR in 2016; 4.2891 PLN/EUR in 2017.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.9455 PLN/USD as at 31 March 2017 and 4.1793 PLN/USD as at 31 December 2016.

Separate data	in PLN thousand		in EUR thousand	
	Q1 2017	Q1 2016 (comparable data)**	Q1 2017	Q1 2016 (comparable data)**
I. Net sales	29,584	35,429	6,897	8,134
II. Profit/(loss) from operating activities	-1,767	-1,529	-412	-351
III. Profit/(loss) before tax	-1,848	-1,683	-431	-386
IV. Net profit/(loss)	-1,452	-1,534	-339	-352
V. Net cash flows from operating activities	-698	-3,830	-163	-879
VI. Net cash flows from investing activities	-975	91	-227	21
VII. Net cash flows from financing activities	-301	2,662	-70	611
VIII. Net cash flows (in total)*	-1,994	-1,134	-465	-260
IX. Total assets	206,361	209,798	48,903	47,423
X. Liabilities and provisions for liabilities	29,215	31,200	6,923	7,052
XI. Non-current liabilities	3,241	3,724	768	842
XII. Current liabilities	25,974	27,476	6,155	6,211
XIII. Equity	177,146	178,598	41,980	40,370
XIV. Share capital	46,894	46,894	11,113	10,600
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.12	0.20	-0.03	0.05
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.12	0.20	-0.03	0.05
XVIII. Book value per share (in PLN/EUR)	3.78	3.81	0.90	0.86
XIX. Diluted book value per share (in PLN/EUR)	3.78	3.81	0.90	0.86
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

** Comparable data for the previous year include: in the case of income statement amounts and cash flow statement amounts – data for the first quarter of the previous year, while in the case of balance sheet data – amounts as at 31 December of the previous year.

Additional Information

to the consolidated quarterly report for Q1 2017 of the group of companies for which Ceramika Nowa Gala SA is a parent company, comprising the condensed separate quarterly financial statements of the parent company

1. Rules for the preparation of the consolidated quarterly report

When preparing the consolidated financial statements, the Company complies 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. - a subsidiary company;
- Ceramika Gres SA – a subsidiary company;
- CNG Luxembourg S.à.r.l. - a subsidiary company;
- Energia Park Trzemoszna Sp. z o.o. - a company controlled by the subsidiaries.

Except for CNG Luxembourg S.à.r.l. subsidiary and Energia Park Trzemoszna Sp. z o.o., the books of the subsidiary companies are kept based on the same accounting principles as those applicable to 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. The books of Energia Park Trzemoszna Trzemoszna are kept in accordance with Polish accounting standards provided for in the Accounting Act, and – if required – the financial statements of this company are subject to relevant transformations in the consolidation process. The financial statements of the subsidiaries are consolidated on a line-by-line basis, with due account of any applicable exclusions and conversions to the presentation currency, i.e. PLN.

No changes occurred in the structure of the Issuer's Group in the reporting period.

These condensed 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 2016.

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 consolidated annual 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 2016, 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

The Group is reorganizing its structure, which involves closing down the production plant of one of the subsidiary companies (for more details see section 15.1) and moving part of the machines and equipment from this plant to the remaining companies of the Group, mostly to the production plant

of Ceramika Nowa Gala SA. At the same time, an investment plan is being implemented in the latter plant. The plan is aimed at expanding production capacity with respect to larger-format tiles, including those manufactured using the double charge technology. As a result of the works carried out, the ongoing production in this plant has been temporarily reduced. The situation will start improving in H2 2017, once the assembly and commissioning of new equipment are completed. Due to production downtime, the profit was lower by PLN 3,858 thousand. In the comparable period of 2016, this figure was PLN 2,799 thousand. Production discontinuities resulting from the works carried out were reflected also in sales in Q1 2017.

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

- Creating a provision for liabilities: PLN 3,076 thousand;
- utilizing the provision for liabilities: PLN 6,185 thousand;
- increasing the provision for deferred income tax: PLN 5 thousand;
- utilizing the provision for deferred income tax: PLN 291 thousand;
- increasing deferred income tax assets: PLN 635 thousand;
- utilizing deferred income tax assets: PLN 679 thousand.

5. Business segments

The organizational structure of the Group is a functional one. Four key business areas can be identified: sales, production, finance, administration and logistics. Key decisions regarding the ongoing operations and the Group's growth strategy are taken by the Management Board. 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 identified.

5.1. Information on geographic segments

Amounts in PLN thousand (PLN '000)

	DOMESTIC		EXPORTS		TOTAL	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Revenue	31,692	33,082	6,950	6,985	38,642	40,067
Cost of sales	19,977	21,242	4,836	5,051	24,813	26,293
Sales result	11,715	11,840	2,114	1,934	13,829	13,774
Unallocated costs					5,120	2,917
Gross profit					8,709	10,857
Assets	31.03.2017	31.12.2016	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Trade receivables	17,975	16,814	6,189	5,560	24,164	22,374
Other receivables (unallocated)					5,063	3,299
					29,227	25,673

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	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Revenue from sales to external customers	38,478	40,023	164	44	38,642	40,067
Purchase of fixed assets	1,631	2,977	-	-	1,631	2,977

5.3. Information on significant customers

In Q1 2017, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

6. Loan agreements concluded in Q1 2017

6.1. Loans contracted by Ceramika Nowa Gala SA

Loan agreement with Bank Pekao SA concluded on 9 February 2017

In order to fund the purchase of manufacturing equipment, the Company contracted, in February 2017, a 5-year investment loan at Bank Pekao SA in the amount of EUR 912 thousand. The deadline for payment of the last instalment falls on 31 December 2021.

6.2. Loans contracted by Ceramika Gres SA subsidiary

Annex to the loan agreement concluded with ING Bank Śląski SA on 28 June 2014

On 23 February 2017, Ceramika Gres SA subsidiary signed an annex to the loan agreement concluded with ING Bank Śląski SA, to extend the deadline for the repayment of the loan from 31 August 2017 to 31 October 2018, while maintaining the existing collateral and the maximum amount of financing of PLN 40,000 thousand.

7. Changes in off-balance sheet items relative to the annual report for 2016

There were changes in off-balance sheet items relative to the information disclosed in the last consolidated annual report.

7.1. Contract for the purchase of plant and equipment

The future liability arising from the purchase of plant and machinery under contracts signed as at the balance sheet date amount to PLN 6,767 thousand.

7.2. Non-recourse factoring liabilities

As at the balance sheet date, contingent (off-balance sheet) liabilities under a non-recourse factoring agreement signed by the parent company amounted to PLN 11,281 thousand.

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

On 10 May 2017, the General Meeting of Shareholders resolved to pay a dividend from available accumulated profit from previous years. The amount of dividend per 1 share is PLN 0.10, thus the total amount to be paid will be PLN 4,689,362.10. The number of shares from which the dividend is to be paid is 46,893,621. The record date has been set for 31 May 2017, while the dividend payment date has been set for 14 June 2017.

9. Position of the Management Board concerning the accomplishment of financial forecasts for 2017

The Company did not publish any forecasts for 2017.

10. 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 available to the Company, the following shareholders hold shares authorizing them to at least 5% of votes at the General Meeting of 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 (formerly AMPLICO OFE)	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	4,687,607	9.99%	4,687,607	9.99%
VALUE Fundusz Inwestycyjny Zamknięty with Subfund 1	2,509,980	5.35%	2,509,980	5.35%

Shareholders holding at least 5% of votes at the General Meeting of Shareholders in accordance with the consolidated quarterly report for the Q3 2016 published on 14 November 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 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	4,687,607	9.99%	4,687,607	9.99%

11. Statement of the ownership of the Company's shares or rights to shares of 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 were 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 Meeting of Shareholders.

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

There are no such proceedings.

13. Information on entering by the Insurer or a subsidiary thereof 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, either individually or jointly, that would be significant and concluded otherwise than on the arm's length basis.

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

Due to the refinancing of the working capital loan by Ceramika Gres SA subsidiary (see also section 6.2), Ceramika Nowa Gala SA and Ceramika Nowa Gala II Sp. z o.o. maintained surety bonds granted to ING Bank Śląski SA on behalf of Ceramika Gres SA, up to the amounts of: PLN 21,000 thousand and PLN 10,000 thousand, respectively.

No other sureties were granted except for those granted on behalf of the companies of the Group.

15. Description of the Issuer's significant achievements or failures in the period covered by the Report, with a list of the most important events of this type

15.1. Modernization and restructuring of production processes within the Group

In 2017, after a few years of limited investment, the Company began reorganization of the production structure in the Group. The most important elements of this plan include moving production from CNG II to the other two plants belonging to the Group. Following the reorganization, production carried out so far in three plants will be carried out in two ones, which will significantly simplify production processes and reduce costs by PLN 2.7 million per annum. Consolidation of production is coupled with modernization of the remaining plants (see also section 15.2).

For many years, the share of large format tiles in CNG Group's revenue has been steadily growing – from 24% in 2011 to 43% in 2016 in terms of quantities (square meters of surface of sold tiles) and from 40% to 60%, respectively, in terms of value. During this period, the sales of small format tiles decreased by 2.2 million sq. m. Modernization started with investment in the plant of CNG SA, which has made it possible to increase the share of large formats in sales and extend the product offering. Works in this respect will cost approx. PLN 13 million, to be spent in 2017, and are covered with own funds and loans.

Part of the machines and equipment from the plant of CNG II, with a book value of PLN 4.5 million, has been moved to the other plants of the Group. The book value of equipment which is no longer useful due to the planned operations is PLN 5.2 million. This amount was written off in 2016.

No group lay-offs were carried out due to the reorganization.

The changes resulted in a decrease in the production capacity by 1.6 million sq. m. per year, (since March 2017) to 6.6 million sq. m., which should not affect sales volumes, as the production

capacity was not fully utilized and its maintenance generated extra costs.

Following the reorganization, CNG II still has a production hall with an area of 6,300 sq. m. The decision on the further use of this real property will be made at a later date.

15.2. Termination of the permit to operate by Ceramika Nowa Gala II Sp. z o.o. subsidiary in the Starachowice Special Economic Zone

On 18 January 2017, the Management Board of Ceramika Nowa Gala II Sp. z o.o. subsidiary signed a motion addressed to the Minister of Development and Finance, requesting him to terminate the permit to operate by CNG II in the Starachowice Special Economic Zone, the Końskie subzone, due to reorganization of the production processes and the relocation of production from CNG II to the other two factories of the Group (for more information see section 15.1). By his decision of 13 February 2017, the Minister of Development and Finance declared the expiry of the permit to carry out business activity by CNG II in the Starachowice Special Economic Zone.

16. Information which the Issuer finds relevant to the assessment of its staffing situation and financial standing as well as its financial performance and changes therein, and information which is relevant to the assessment of the feasibility of the Issuer's obligations

16.1. Capacity to finance the ongoing investment plan

The companies of the Group have an adequate amount of own funds and available bank facilities (see section 6.1) which guarantee full coverage of necessary investment related to the implementation of the plan referred to in section 15.1.

16.2. Decision to initiate by the Company a review of strategic options related to the further development of the business

On 24 March 2017, the Management Board resolved to initiate by the Company a review of strategic options related to the further development of the Company's business. At this stage, the Management Board will consider various strategic options, in particular seeking a strategic investor for the Company, entering into a strategic alliance, effecting a transaction with a different structure, as well as not taking action by the Company with respect to finding an investor, entering into a strategic alliance or effecting a transaction. No decisions regarding the choice of a specific strategic option have been taken by the Management Board yet, and it is not certain whether such a decision will be taken in the future and when it will be taken.

17. Factors which the Company believes to affect the financial performance of the Group at least within the next quarter

Factors which may influence the Group's financial performance in the nearest future include:

- implementation of the modernization and production processes restructuring program referred to in section 15.1;
- 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;
- high volatility of prices of some raw materials, especially natural gas;
- seasonal increase in sales in Q2 and Q3 of the year.

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.