



**Consolidated interim financial statements
of**

Ceramika Nowa Gala SA Group

for the period from 1 January 2018 to 31 March 2018

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 2018

Consolidated statement of profit and loss and other comprehensive income

for the period from 1 January 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
Revenue	36,987	38,642
Cost of sales	28,191	29,933
Gross profit	8,796	8,709
Other income	28	113
Selling and administrative expenses	11,199	9,836
Other expenses	247	40
Profit before interest and tax	-2,622	-1,054
Finance income	44	40
Finance expenses	544	603
Profit from continued operations before tax	-3,122	-1,617
Income tax expense	92	-166
Profit from continued operations after tax	-3,214	-1,451
Profit from discontinued operations after tax	-	-
Profit for the year	-3,214	-1,451
Other comprehensive income that may be transferred to the profit in the future		
Exchange rate differences from translation	-3	10
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-3,217	-1,441
Net profit attributable to		
shareholders of the parent company	-3,214	-1,451
non-controlling interests	-	-
	-3,214	-1,451
Total comprehensive income attributable to		
shareholders of the parent company	-3,217	-1,441
non-controlling interests	-	-
	-3,217	-1,441

	Unit	Q1 2018	Q1 2017
Annualized profit/(loss)	PLN thousand	-7,097	-10,153
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.15	-0.21
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.15	-0.21

Consolidated statement of financial position as at 31 March 2018

Amounts in PLN thousand (PLN '000).

Assets	31.03.2018	31.12.2017
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	2,956	2,584
Property, plant and equipment	88,911	90,751
Investment property	7,550	7,550
Other financial assets	145	145
Deferred tax assets	8,092	8,414
Total non-current assets	126,505	128,295
Current assets		
Inventory	85,578	75,776
Trade and other receivables	28,162	24,303
Receivables from current income tax	23	-
Other financial assets	-	-
Cash and cash equivalents	10,843	13,623
Other current assets	967	442
Total current assets	125,573	114,144
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	252,078	242,439

(continued on the next page)

Consolidated statement of financial position as at 31 March 2018 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	31.03.2018	31.12.2017
Equity		
Share capital	46,894	46,894
Capital reserves	122,146	122,146
Revaluation reserve	-	-
Exchange rate differences from translation	12	15
Reserve capital	8,719	8,719
Retained earnings	-8,641	-5,427
Equity attributable to shareholders of the parent company	169,130	172,347
Non-controlling interests	-	-
Total equity	169,130	172,347
Non-current liabilities		
Borrowings	35,681	7,165
Provision for deferred income tax	3,348	3,668
Provision for employee benefits	24	24
Total non-current liabilities	39,053	10,857
Current liabilities		
Trade and other payables	30,429	21,731
Current tax liability	12	427
Borrowings	5,870	27,202
Factoring liability	635	851
Provision for employee benefits	1,952	1,569
Other provisions	4,997	7,455
Total current liabilities	43,895	59,235
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	82,948	70,092
Total equity and liabilities	252,078	242,439
Book value (in PLN thousand)	169,130	172,347
Number of shares (in thousand shares)	46,894	46,894
Book value per share (in PLN)	3.61	3.68
Diluted number of shares (in thousand shares)*	46,894	46,894
Diluted book value per share (in PLN)	3.61	3.68

Consolidated cash flow statement for the period from 1 January 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
<u>Operating activities</u>		
Net profit/(loss)	-3,214	-1,451
Amortization and depreciation	3,479	3,216
Interest revenue and expenses	377	332
Exchange rate gains/(losses)	-52	81
Gain/(loss) on disposal of intangible and tangible non-current assets	-15	-58
Movement in provisions, write-downs, prepayments and accruals	-2,607	-3,742
Income tax expense	92	-166
Other adjustments	-	-118
Cash flow from operations before movements in working capital	-1,940	-1,906
Movement in inventory	-9,802	2,485
Movement in receivables	-4,001	-3,606
Movement in liabilities	8,083	1,772
Cash flow from operations before tax	-7,660	-1,255
Interest received from operating activities	-	1
Interest paid on operating activities	-	-
Income tax paid	-527	-341
Net cash flows from operating activities	-8,187	-1,595
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	48	63
Purchase of tangible and intangible non-current assets	-1,336	-1,523
Net cash from investing activities	-1,288	-1,460

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Consolidated cash flow statement for the period from 1 January 2018 to 31 March 2018 (contd.)

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
<u>Financing activities</u>		
Proceeds from borrowings	7,808	2,229
Repayment of borrowings	-626	-276
Repayment of factoring liabilities	-217	-367
Interest paid pertaining to financing activities	-374	-313
Net cash from financing activities	6,591	1,273
Net cash from financing activities	-2,884	-1,782
Cash and cash equivalents at the beginning of the period	13,623	22,596
Exchange rate differences	104	-148
Cash and cash equivalents at the end of the period	10,843	20,666
<u>Structure of cash and cash equivalents:</u>		
Unrestricted cash	10,242	20,157
Restricted cash	601	509
	10,843	20,666

Consolidated statement of changes in equity

for the period from 1 January 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Share capital	Capital reserves	Attributable to the shareholders of the parent company					Total	Non-controlling interests	Total equity
			Foreign exchange differences from translation	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings			
As at 1 January 2017	46,894	136,034	2	8,719	-	--	-8,963	182,686	-	182,686
Effects of changes to the accounting policies	-	-	--	-	-	-	-328	-328	-	-328
As at 1 January 2017 after the transformation	46,894	136,034	2	8,719	-	--	-9,291	182,358	-	182,358
Total comprehensive income*	-	-	10	-	-	-	-1,451	-1,441	-	-1,441
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2017	46,894	136,034	12	8,719	-	-	-10,742	180,917	-	180,917
As at 1 January 2018	46,894	122,146	15	8,719	-	-	-5,427	172,347	-	172,347
Total comprehensive income*	-	-	-3	-	-	-	-3,214	-3,217	-	-3,217
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2018	46,894	122,146	12	8,719	-	-	-8,641	169,130	-	169,130

*After Q1 2018, the amount of total income was attributed to the following items: net loss in the amount of PLN -3,214 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 -3 thousand, were recognized (in minus) in "foreign exchange differences from translation". After Q1 2017, the amount of total income was attributed to the following items: net loss in the amount of PLN -1,451 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 "foreign exchange differences from translation".

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: 4.1709 PLN/EUR as at 31 December 2017 and 4.2085 PLN/EUR as at 31 March 2018;
- 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: 4.2891 PLN/EUR in 2017; 4.1784 PLN/EUR in 2018.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.4139 PLN/USD as at 31 March 2018 and 3.4813 PLN/USD as at 31 December 2018.

Consolidated data	in PLN thousand		in EUR thousand	
	Q1 2018	Q1 2017 (comparative data)**	Q1 2018	Q1 2017 (comparative data)**
I. Revenue	36,987	38,642	8,852	9,009
II. Profit/(loss) from operating activities	-2,622	-1,054	-628	-246
III. Profit/(loss) before tax	-3,122	-1,617	-747	-377
IV. Net profit/(loss)	-3,214	-1,451	-769	-338
V. Net cash flows from operating activities	-8,187	-1,595	-1,959	-372
VI. Net cash flows from investing activities	-1,288	-1,460	-308	-340
VII. Net cash flows from financing activities	6,591	1,273	1,577	297
VIII. Net cash flows (in total)*	-2,780	-1,930	-665	-450
IX. Total assets	252,078	242,439	59,897	58,126
X. Liabilities and provisions for liabilities	82,948	70,092	19,710	16,805
XI. Non-current liabilities	39,053	10,857	9,280	2,603
XII. Current liabilities	43,895	59,235	10,430	14,202
XIII. Equity	169,130	172,347	40,188	41,321
XIV. Share capital	46,894	46,894	11,143	11,243
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.15	-0.21	-0.04	-0.05
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.15	-0.21	-0.04	-0.05
XVIII. Book value per share (in PLN/EUR)	3.61	3.68	0.86	0.88
XIX. Diluted book value per share (in PLN/EUR)	3.61	3.68	0.86	0.88
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

** Comparative 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 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
Revenue	26,716	29,584
Cost of sales	23,158	25,591
Gross profit	3,558	3,993
Other income	2	62
Selling and administrative expenses	7,085	5,777
Other expenses	74	-161
Profit before interest and tax	-3,599	-1,561
Finance income	-	43
Finance expenses	242	124
Profit from continued operations before tax	-3,841	-1,642
Income tax expense	-139	-357
Profit from continued operations after tax	-3,702	-1,285
Profit from discontinued operations after tax	-	-
Profit for the year	-3,702	-1,285
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-3,702	-1,285

	Unit	Q1 2018	Q1 2017
Annualized profit/(loss)	PLN thousand	-8,650	-5,760
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.18	-0.12
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.18	-0.12

Separate statement of financial position as at 31 March 2018

Amounts in PLN thousand (PLN '000).

Assets	31.03.2018	31.12.2017
Non-current assets		
Intangible assets	779	262
Property, plant and equipment	40,921	41,792
Investments in related parties	78,212	78,212
Other financial assets	121	121
Deferred tax assets	5,057	5,244
Total non-current assets	125,090	125,631
Current assets		
Inventory	65,197	56,733
Trade and other receivables	15,582	15,973
Receivables from current income tax	-	-
Cash and cash equivalents	2,236	6,029
Other current assets	593	175
Total current assets	83,608	78,910
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	208,698	204,541

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Separate statement of financial position as at 31 March 2018 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	31.03.2018	31.12.2017
Equity		
Share capital	46,894	46,894
Capital reserves	127,015	127,015
Revaluation reserve	-	-
Reserve capital	-	-
Retained earnings	-10,339	-6,637
Total equity	163,570	167,272
Non-current liabilities		
Borrowings	6,701	7,165
Provision for deferred income tax	1,348	1,674
Provision for employee benefits	-	-
Other provisions	-	-
Total non-current liabilities	8,049	8,839
Current liabilities		
Trade and other payables	25,725	19,285
Current tax liability	-	-
Borrowings	5,870	2,492
Provision for employee benefits	1,520	1,212
Other provisions	3,964	5,441
Total current liabilities	37,079	28,430
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	45,128	37,269
Total equity and liabilities	208,698	204,541

	Unit	31.03.2018	31.12.2017
Book value	PLN thousand	163,570	167,272
Number of shares	thousand shares	46,894	46,894
Book value per share	PLN thousand	3.49	3.57
Diluted number of shares	thousand shares	46,894	46,894
Diluted book value per share	PLN	3.49	3.57

Separate cash flow statement for the period from 1 January 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
<u>Operating activities</u>		
Net profit/(loss)	-3,702	-1,285
Amortization and depreciation	2,186	1,950
Interest revenue and expenses	77	34
Exchange rate gains/(losses)	12	-47
Gain/(loss) on disposal of intangible and tangible non-current assets	18	-41
Movement in provisions, write-downs, prepayments and accruals	-1,587	-1,954
Income tax expense	-139	-357
Other adjustments	3	-127
Cash flow from operations before movements in working capital	-3,132	-1,827
Movement in inventory	-8,464	2,700
Movement in receivables	387	-1,627
Movement in liabilities	5,478	56
Cash flow from operations before tax	-5,731	-698
Interest received from operating activities	-	-
Interest paid on operating activities	-	-
Income tax paid	-	-
Net cash flows from operating activities	-5,731	-698
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	23	14
Purchase of tangible and intangible non-current assets	-961	-989
Net cash from investing activities	-938	-975

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Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN '000).

	Q1 2018	Q1 2017
<u>Financing activities</u>		
Proceeds from borrowings	3,540	11
Repayment of borrowings	-627	-278
Interest paid pertaining to financing activities	-77	-34
Net cash from financing activities	2,836	-301
Net cash from financing activities	-3,833	-1,974
Cash and cash equivalents at the beginning of the period	6,029	16,309
Exchange rate differences	40	-20
Cash and cash equivalents at the end of the period	2,236	14,315
<u>Structure of cash and cash equivalents</u>		
Unrestricted cash	2,070	14,030
Restricted cash	166	285
	2,236	14,315

Separate statement of changes in equity for the period from 1 January 2018 to 31 March 2018

Amounts in PLN thousand (PLN '000).

	Share capital	Capital reserves	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings	Total equity
As at 1 January 2017	46,894	137,475	-	-	-	-5,771	178,598
Effects of changes to the accounting policies	-	-	-	-	-	-237	-237
As at 1 January 2017 after the transformation	46,894	137,475	-	-	-	-6,008	178,361
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	-	-	-	-7,460	176,909
As at 1 January 2018	46,894	127,015	-	-	-	-6,637	167,272
Total comprehensive income*	-	-	-	-	-	-3,702	-3,702
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-
As at 31 March 2018	46,894	127,015	-	-	-	-10,339	163,570

* After Q1 2018, the amount of total income included: net loss in the amount of PLN 3,702 thousand which decreased the amount of retained earnings. 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.

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: 4.1709 PLN/EUR as at 31 December 2017 and 4.2085 PLN/EUR as at 31 March 2018;
- 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: 4.2891 PLN/EUR in 2017; 4.1784 PLN/EUR in 2018.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.4139 PLN/USD as at 31 March 2018 and 3.4813 PLN/USD as at 31 December 2018.

Separate data	in PLN thousand		in EUR thousand	
	Q1 2018	Q1 2017 (comparative data)**	Q1 2018	Q1 2017 (comparative data)**
I. Revenue	26 716	29 584	6 394	6 897
II. Profit/(loss) from operating activities	-3,599	-1,561	-861	-364
III. Profit/(loss) before tax	-3,841	-1,642	-919	-383
IV. Net profit/(loss)	-3,702	-1,285	-886	-300
V. Net cash flows from operating activities	-5,731	-698	-1,372	-163
VI. Net cash flows from investing activities	-938	-975	-224	-227
VII. Net cash flows from financing activities	2,836	-301	679	-70
VIII. Net cash flows (in total)*	-3,793	-1,994	-908	-465
IX. Total assets	208,698	204,541	49,590	49,040
X. Liabilities and provisions for liabilities	45,128	37,269	10,723	8,935
XI. Non-current liabilities	8,049	8,839	1,913	2,119
XII. Current liabilities	37,079	28,430	8,811	6,816
XIII. Equity	163,570	167,272	38,867	40,105
XIV. Share capital	46,894	46,894	11,143	11,243
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.18	-0.12	-0.04	-0.03
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.18	-0.12	-0.04	-0.03
XVIII. Book value per share (in PLN/EUR)	3.49	3.57	0.83	0.86
XIX. Diluted book value per share (in PLN/EUR)	3.49	3.57	0.83	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.

** Comparative 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 2018 of the group of companies for which Ceramika Nowa Gala SA is their parent company, comprising the condensed separate quarterly financial statements of the parent company

1. Principles adopted in the preparation of the consolidated quarterly report

When preparing the consolidated financial statements, the Company applies the International Financial Reporting Standards. All data has 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;
- Ceramika Gres SA – a subsidiary;
- CNG Luxembourg S.à.r.l. – a subsidiary;
- Energia Park Trzemoszna Sp. z o.o. – an entity 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 companies are consolidated on a line-by-line basis, with due account of any applicable exclusions and conversions to the presentation currency, i.e. PLN.

On 16 April 2018, the Management Board of Ceramika Nowa Gala SA (surviving company) decided to merge the parent company with Ceramika Nowa Gala II sp. z o.o. subsidiary (target company). Following this decision, the management boards of the surviving company and the target company arranged and signed a merger plan. The merger will be carried out in accordance with Article 492(1)(1) and Article 516(6) read together with Article 516(5) of the Code of Commercial Partnerships and Companies, by transferring all assets of the target company to the surviving company – combination by acquisition).

These condensed interim financial statements have been drawn up in line with IAS 34. The applied accounting policies are the same as those which governed the preparation of the financial statements for 2017, except for changes resulting from the introduction of new standards (see also section 2).

These condensed consolidated interim financial statements have been prepared with the assumption that the companies which belong to the Group would continue their business 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 2017, prepared in accordance with IFRSs.

2. Change in the accounting policies concerning IFRS 9 "Financial Instruments"

2.1. First time adoption of IFRS 15 "Revenue from Contracts with Customers"

The overwhelming majority of the Group's revenue comes, according to the new standard, from contracts for supplies of ceramic tiles or decorative elements. The key and only obligation to be satisfied under such a contract involves the delivery of sold products. In some cases the companies of the Group charge their customers with the cost of arranging the transport of products, but in this case this service cannot be separated from the delivery of tiles, and is rendered along with the delivery. The sale of products takes place at a specific moment – at the time of their delivery and acceptance by the customer (following which the product is under the customer's control), hence it is not revenue to be settled over time. The sales value is clearly specified in the invoice and may be recognized in the accounting records of the companies of the Group once the products have been delivered. Customers that buy contractually agreed quantities of products over a specific period (a quarter or a year) can often count on an extra discount. As at each balance sheet date, the Group estimates in a detailed manner the level of discounts due to customers, and thus calculated amounts decrease the sales result for a given period. Guarantees granted by the Group are compliant with applicable laws and do not entail any additional liabilities. Their costs, if any, are disclosed in accordance with the regulations contained in IAS 37. Therefore the application of the standard has no effect on the amount of disclosed revenue.

2.2. First time adoption of IFRS 9 "Financial Instruments"

In January 2018, the companies of the Group adopted the new IFRS 9 relating to financial instruments. In accordance with this standard, under retrospective application (with initial application on 1 January 2017), a change in identified groups of financial assets (change in the classification) and a change in the model of impairment losses on financial assets were introduced. Trade receivables maturing within maximum 12 months are the key group of financial assets. The companies of the Group use the simplified method of estimating the amount of impairment losses on trade receivables. The total portfolio of receivables is determined using a provision matrix by the past due date and the counterparty's country. Each item in this matrix is assigned the expected loss level. The amount of an estimated impairment is obtained by multiplying the amount of receivables in a given country and a given past due period by the expected loss level. As a result of applying this procedure to the receivables portfolio as at 31 March 2018, the Group made an additional impairment of receivables, using retrospective application, making thus changes to selected items in the financial statements. The changes are presented in the table below.

Effects of changes in IFRS 9 (consolidated data)	31.03.2018	31.12.2017	01.01.2017
Deferred tax assets	9	-38	77
Trade and other receivables	-48	201	-405
Retained earnings from previous years	-	-	-328
Profit/(loss) for the current year	-39	163	-

Effects of changes in IFRS 9 (separate data)	31.03.2018	31.12.2017	01.01.2017
Deferred tax assets	4	-39	56
Trade and other receivables	-20	206	-293
Retained earnings from previous years	-	-	-237
Profit/(loss) for the current year	-16	167	-

3. Seasonal nature of the Issuer's business

Alike 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.

4. Impact of unusual events on the financial statements

Due to production downtime, the profit was lower by PLN 1,263 thousand. In the same period of 2017, this figure was PLN 3,858 thousand.

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

- Creating a provision for liabilities: PLN 3,768 thousand;
- utilizing the provision for liabilities: PLN 5,826 thousand;
- increasing the provision for deferred income tax: PLN 33 thousand;
- utilizing the provision for deferred income tax: PLN 353 thousand;
- increasing deferred income tax assets: PLN 202 thousand;
- utilizing deferred income tax assets: PLN 522 thousand.

6. Business segments

The organizational structure of the Group is a functional one. Four key areas can be identified: 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 identified.

6.1. Information on geographic segments

Amounts in PLN thousand (PLN '000).

	DOMESTIC		EXPORTS		TOTAL	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenue	29,549	31,692	7,438	6,950	36,987	38,642
Cost of sales	20,774	19,977	5,371	4,836	26,145	24,813
Sales result	8,775	11,715	2,067	2,114	10,842	13,829
Unallocated costs					2,046	5,120
Gross profit					8,796	8,709

Assets	31.03.2018	31.12.2017	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Trade receivables	17,902	15,035	5,698	5,504	23,600	20,539
Other receivables (unallocated)					4,562	3,764
					28,162	24,303

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.

6.2. 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.

Consolidated financial statements of Ceramika Nowa Gala SA

Amounts in PLN thousand (PLN '000).

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenue from sales to external customers	36,938	38,478	49	164	36,987	38,642
Purchase of fixed assets	1,895	1,631	-	-	1,895	1,631

6.3. Information on significant customers

In Q1 2018, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

7. Loan agreements

7.1. Loans contracted by Ceramika Nowa Gala SA

7.1.1. Annex to the investment loan agreement concluded on 9 February 2017 with Bank Pekao SA

As the credit limit was underused, Ceramika Nowa Gala SA and Bank Pekao SA signed, on 29 January 2018, an annex to the loan agreement to reduce the amount of the investment loan from EUR 912 thousand to EUR 642 thousand.

7.1.2. Annex to the overdraft facility agreement concluded on 15 December 2004 with mBank SA

On 26 February 2018, Ceramika Nowa Gala SA and mBank SA signed an annex to the overdraft facility agreement to extend the deadline for the repayment of the loan from 27 February 2018 to 27 February 2019, while maintaining the existing collateral and the maximum amount of financing of PLN 500 thousand. The bank's margin was increased from 0.9 p.p. to 1.3 p.p.

7.2. Loans contracted by Ceramika Gres SA subsidiary

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

On 9 February 2018, 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 October 2018 to 31 October 2019, while maintaining the existing collateral and the maximum amount of financing of PLN 40,000 thousand.

8. Changes in off-balance sheet items relative to the annual report for 2017

There were changes in off-balance sheet items relative to the information disclosed in the latest consolidated annual report. 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 7,584 thousand.

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

9.1. Decision to merge the parent company with its subsidiary

On 16 April 2018, the Management Board of Ceramika Nowa Gala SA (surviving company) decided to merge the parent company with Ceramika Nowa Gala II sp. z o.o. subsidiary (target company). Following this decision, the management boards of the surviving company and the target company arranged and signed a merger plan. The merger will be carried out in accordance with Article 492(1)(1) and Article 516(6) read together with Article 516(5) of the Code of Commercial Partnerships and Companies, by transferring all assets of the target company to the surviving company – combination by acquisition). The merger plan was announced in Current Report 2/2018 of the parent company.

9.2. Signing an annex to the agreement providing for a loan granted by Ceramika Nowa Gala SA to its subsidiary

In April 2018, Ceramika Nowa Gala SA increased, by way of another annex, the amount of the loan granted to CNG Luxembourg S.a.r.l. subsidiary by EUR 30 thousand. The increased loan amount (without accrued interest) is EUR 105 thousand. The other loan terms and conditions remained unchanged.

9.3. Loan granted by Ceramika Gres SA to Energia Park Trzemoszna sp. z o.o.

In April 2018, Ceramika Gres SA granted a loan to Energia Park Trzemoszna sp. z o.o. (entity controlled by Ceramika Nowa Gala II sp. z o.o. by Ceramika Gres SA) in the amount of PLN 1,100 thousand. The loan will be used to finance business operations, mainly to repay the liability due to a loan granted by Ceramika Nowa Gala II sp. z o.o. (see also section 9.4). The loan has been granted for two years, and the interest rate is 4.5% per annum.

9.4. Repayment by Energia Park Trzemoszna sp. z o.o. of a loan granted by Ceramika Nowa Gala II sp. z o.o.

In April 2018, Energia Park Trzemoszna sp. z o.o. repaid in total the liability due to a loan granted by Ceramika Nowa Gala sp. z o.o. in the amount of PLN 991 thousand with due interest.

9.5. Recommendation of the Management Board concerning the payment of dividend for 2017

The Management Board of Ceramika Nowa Gala SA intends to recommend to the General Meeting of Shareholders the payment of dividend from the distributable accumulated profits from previous years. The planned amount of dividend per share is PLN 0.5, thus the total amount to be paid should be PLN 2,344,681.05. The number of shares from which the dividend is to be paid is 46,893,621. The Supervisory Board of the Company gave a positive opinion of the Management Board's recommendation concerning the dividend. The final decision in this respect payment will be made by the General Meeting.

9.6. Resignation of a member of the Supervisory Board

On 11 May 2018, the Company received a notice from Mr. Grzegorz Ogonowski, member of the Supervisory Board, in which he informed about resignation from this function, effective as at:

- the next General Meeting of Shareholders, or
- 30 June 2018, whichever is earlier.

The resignation was due to the loss of the independence attribute within the meaning of Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, due to the expiry of the maximum permissible period of sitting on a supervisory board, specified for independent members.

10. Position of the Management Board concerning the fulfilment of earnings guidance for 2018

The Company did not publish any earnings guidance for 2018.

11. 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 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	4,687,607	9.99%	4,687,607	9.99%
VALUE Fundusz Inwestycyjny Zamknięty with Sub-fund 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 2017 published on 14 November 2017.

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	4,687,607	9.99%	4,687,607	9.99%
VALUE Fundusz Inwestycyjny Zamknięty with Sub-fund 1	2,509,980	5.35%	2,509,980	5.35%

ING Otworthy Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny

12. 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.

13. Information on major proceedings to which the Issuer or its subsidiary is a party

There are no such proceedings.

14. Information on entering by the Issuer or its subsidiary into one or more transactions with related parties, where such transactions were concluded on terms other than on the 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 concluded otherwise than on the arm's length basis.

15. Information on granting a loan guarantee, a loan or credit sureties by Ceramika Nowa Gala SA or its subsidiaries, with significant values

Due to the refinancing of the working capital loan by Ceramika Gres SA subsidiary (see also section 7.2.1), 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. The surety bonds are subject to remuneration charged at market rates. In both cases the bank shall have the right to pursue claims under the surety bonds until 31 October 2037.

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

16. Description of the Issuer's significant achievements or failures in the period covered by the report, with a list of the most important events

In 2017, the Company reorganized the production process in the Group. One of important elements of this plan was moving production from CNG II to the other two plants belonging to the Group. Following the reorganization, production carried out before in three plants is carried out in two ones, which has significantly simplified production processes and reduced costs. Production consolidation was coupled with modernization in the plant of CNG SA to increase the share of large formats in sales and extend the product offering. Works in this respect cost approx. PLN 11 million, spent in 2017, Owing to this modernization, new products, mainly technical stoneware tiles and glazed ones on coloured mass are being put on the market, with a significant proportion of larger formats – 60x120 cm and similar ones. All new products will be available for sale from mid Q2. Along with the introduction of modern products, a program of changes in the sales management system is also being implemented to reverse the downward trend in sales.

At the same time a schedule of a merger of Ceramika Nowa Gala SA and Ceramika Nowa Gala II sp. z o.o. was drawn up and the merger process was launched in accordance with Article 492(1)(1) and Article 516(6) read together with Article 516(5) of the Code of Commercial Partnerships and Companies, by transferring all assets of Ceramika Nowa Gala II sp. z o.o. (target company) to Ceramika Nowa Gala SA (surviving company – combination by acquisition), with no increase in the

share capital of the surviving company (see also section 9.1).

17. 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

After the 2017 modernization of the production lines in the plant of the parent company (see also section 16) and a temporary increase in inventory related to e.g. introduction of new products, there was an increase in the Group's net debt, which will be systematically repaid in subsequent periods. As regards this year, only minor replacement investments are planned. The Company will be able to finance all of them with its own financial resources. Major lines of revolving loans are renewed and the companies of the Group satisfy their all financial liabilities.

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

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

- merger of the parent company with its subsidiary company (see also section 9.1);
- foreign exchange volatility;
- economic recovery in Poland and on markets onto which the Group exports its products;
- growing costs of purchase of key raw material groups;
- growth of sales of new product lines;
- change in the sales management rules;
- 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.