



**Consolidated interim financial statements
of**

Ceramika Nowa Gala SA Group

for the period from 1 January 2017 to 30 September 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, 14 November 2017

Consolidated statement of profit and loss and other comprehensive income

for the period from 1 January 2017 to 30 September 2017

Amounts in PLN thousand (PLN '000).

	Q3 2017	3 quarters of 2017	Q3 2016	3 quarters of 2016
Revenue	41,583	121,765	47,820	133,917
Cost of sales	29,336	86,931	33,327	99,086
Gross profit	12,247	34,834	14,493	34,831
Other income	14	174	11	-38
Selling and administrative expenses	10,850	30,814	10,322	31,191
Other expenses	247	1,088	751	1,207
Profit before interest and tax	1,164	3,106	3,431	2,395
Finance income	-	3	-189	15
Finance expenses	477	1,647	365	1,280
Share in profits of associates and joint ventures	-	-	-	-
Profit from continued operations before tax	687	1,462	2,877	1,130
Income tax expense	447	1,052	550	617
Profit from continued operations after tax	240	410	2,327	513
Profit from discontinued operations after tax	-	-	-	-
Profit for the year	240	410	2,327	513
Other comprehensive income that may be transferred to the profit in the future				
Exchange rate differences from translation	-5	4	3	1
Other comprehensive income that may not be transferred to the profit in the future				
Cost of buyback of treasury shares	-	-	-	-
Total comprehensive income	235	414	2,330	514
Net profit attributable to				
shareholders of the parent company	240	410	2,327	513
non-controlling interests	-	-	-	-
	240	414	2,327	513
Total comprehensive income attributable to				
shareholders of the parent company	235	414	2,330	514
non-controlling interests	-	-	-	-
	235	414	2,330	514

	Unit	12 months until 30 September 2017	12 months until 30 September 2016
Annualized profit/(loss)	PLN thousand	-9,053	-1,031
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.19	-0.02
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.19	-0.02

Consolidated statement of financial position as at 30 September 2017

Amounts in PLN thousand (PLN '000).

Assets	30.09.2017	31.12.2016
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	2,748	3,243
Property, plant and equipment	93,491	88,408
Investment property	7,550	7,550
Other financial assets	145	145
Deferred tax assets	9,694	10,561
Total non-current assets	132,479	128,758
Current assets		
Inventory	73,929	68,919
Trade and other receivables	30,513	25,673
Receivables from current income tax	-	2
Cash and cash equivalents	11,964	22,596
Other current assets	608	421
Total current assets	117,014	117,611
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	249,493	246,369

(continued on the next page)

Consolidated statement of financial position as at 30 September 2017 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	30.09.2017	31.12.2016
Equity		
Share capital	46,894	46,894
Capital reserves	122,146	136,034
Revaluation reserve	-	-
Exchange rate differences from translation	6	2
Reserve capital	8,719	8,719
Treasury shares	-	-
Retained earnings	646	-8,963
Equity attributable to shareholders of the parent company	178,411	182,686
Non-controlling interests	-	-
Total equity	178,411	182,686
Non-current liabilities		
Borrowings	30,481	848
Provision for deferred income tax	4,148	4,909
Provision for employee benefits	24	24
Total non-current liabilities	34,653	5,781
Current liabilities		
Trade and other payables	23,315	22,651
Current tax liability	863	331
Borrowings	2,163	24,052
Recourse factoring liability	936	1,401
Provision for employee benefits	2,158	1,492
Other provisions	6,994	7,975
Total current liabilities	36,429	57,902
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	71,082	63,683
Total equity and liabilities	249,493	246,369
Book value (in PLN thousand)	178,411	182,686
Number of shares (in thousand shares)	46,894	46,894
Book value per share (in PLN)	3.80	3.90
Diluted number of shares (in thousand shares)	46,894	46,894
Diluted book value per share (in PLN)	3.80	3.90

Consolidated cash flow statement

for the period from 1 January 2017 to 30 September 2017

Amounts in PLN thousand (PLN '000).

	3 quarters of 2017	3 quarters of 2016
<u>Operating activities</u>		
Net profit/(loss)	410	513
Amortization and depreciation	9,886	10,365
Interest revenue and expenses	787	961
Exchange rate gains/(losses)	67	13
Gain/(loss) on disposal of intangible and tangible non-current assets	38	21
Movement in provisions, write-downs, prepayments and accruals	-653	-1,496
Income tax expense	1,052	617
Other adjustments	-91	-1
Cash flow from operations before movements in working capital	11,496	10,993
Movement in inventory	-5,010	16,121
Movement in receivables	-4,739	-302
Movement of liabilities	279	-5,721
Cash flow from operations before tax	2,026	21,091
Interest received from operating activities	4	2
Interest paid on operating activities	-1	-2
Income tax paid	-413	-159
Net cash flows from operating activities	1,616	20,932
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	151	51
Purchase of tangible and intangible non-current assets	-14,135	-4,143
Net cash from investing activities	-13,984	-4,092

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Consolidated cash flow statement for the period from 1 January 2017 to 30 September 2017 (contd.)

Amounts in PLN thousand (PLN '000).

	3 quarters of 2017	3 quarters of 2016
<u>Financing activities</u>		
Proceeds from borrowings	8,626	-
Proceeds from factoring*	-	177
Dividend paid to shareholders of the parent company	-4,689	-4,689
Repayment of borrowings	-869	-9,771
Repayment of factoring liabilities*	-465	-
Interest paid pertaining to financing activities	-794	-961
Net cash from financing activities	1,809	-15,244
<u>Net cash from financing activities</u>		
	-10,559	1,596
Cash and cash equivalents at the beginning of the period	22,596	9,894
Exchange rate differences	-73	17
Cash and cash equivalents at the end of the period	11,964	11,507
<u>Structure of cash and cash equivalents</u>		
Unrestricted cash	10,651	11,336
Restricted cash	1,313	171
	11,964	11,507

*pertains to a recourse factoring agreement concluded by a subsidiary

Consolidated statement of changes in equity for the period from 1 January 2017 to 30 September 2017

Amounts in PLN thousand (PLN '000).

	Attributable to the shareholders of the parent company							Total	Non-controlling shares	Total equity
	Share capital	Capital reserves	Exchange rate 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	-	-	-	513	514	-	514
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	10,760	-	-	-	-	-10,760	-	-	-
Payment of dividend	-	-	-	-	-	-	-4,690	-4,690	-	-4,690
As at 30 September 2017	46,894	136,034	6	8,719	-	-	500	192,153	-	192,153
As at 1 January 2017	46,894	136,034	2	8,719	-	-	-8,963	182,686	-	182,686
Total comprehensive income*	-	-	4	-	-	-	410	414	-	414
Coverage of loss from previous years	-	-9,362	-	-	-	-	9,362	-	-	-
Distribution of profit from previous years	-	163	-	-	-	-	-163	-	-	-
Payment of dividend	-	-4,689	-	-	-	-	-	-4,689	-	-4,689
As at 30 September 2017	46,894	122,146	6	8,719	-	-	646	178,411	-	178,411

After 3 quarters of 2017, the amount of comprehensive income accounts for: net profit in the amount of PLN 410 thousand, which increased the value of retained earnings, and foreign exchange differences from translation of the financial statements of CNG Luxembourg subsidiary from EUR into PLN, in the amount of PLN 4 thousand (in plus) which was recognized in the item 'Foreign exchange differences from translation'. After 3 quarters of 2016, the amount of comprehensive income accounts for: net profit in the amount of PLN 513 thousand, which increased the value of retained earnings, and foreign exchange differences from translation of the financial statements of CNG Luxembourg subsidiary from EUR into PLN, in the amount of PLN 1 thousand (in plus) which was recognized in the item 'Foreign exchange differences from translation'.

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: 4.424 PLN/EUR as at 31 December 2016 and 4.3091 PLN/EUR as at 30 September 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, were used: 4.3688 PLN/EUR in 3 quarters of 2016; 4.2566 PLN/EUR in 3 quarters of 2017.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 4.1793 PLN/USD as at 31 December 2016 and 3.6519 PLN/USD as at 30 September 2017.

Consolidated data	in PLN thousand		in EUR thousand	
	3 quarters of 2017	2016 (comparative data)**	3 quarters of 2017	2016 (comparative data)**
I. Net revenue from the sale of products, goods and materials	121,765	133,917	28,606	30,653
II. Profit/(loss) from operating activities	3,106	2,395	730	548
III. Profit/(loss) before tax	1,462	1,130	343	259
IV. Net profit/(loss)	410	513	96	117
V. Net cash flows from operating activities	1,616	20,932	380	4,791
VI. Net cash flows from investing activities	-13,984	-4,092	-3,285	-937
VII. Net cash flows from financing activities	1,809	-15,244	425	-3,489
VIII. Net cash flows (total)*	-10,632	1,613	-2,498	369
IX. Total assets	249,493	246,369	57,899	55,689
X. Liabilities and provisions for liabilities	71,082	63,683	16,496	14,395
XI. Non-current liabilities	34,653	5,781	8,042	1,307
XII. Current liabilities	36,429	57,902	8,454	13,088
XIII. Equity	178,411	182,686	41,403	41,294
XIV. Share capital	46,894	46,894	10,883	10,600
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.19	-0.02	-0.05	-0.01
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.19	-0.02	-0.05	-0.01
XVIII. Book value per share (in PLN/EUR)	3.80	3.90	0.88	0.88
XIX. Diluted book value per share (in PLN/EUR)	3.80	3.90	0.88	0.88
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

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

**In the case of off-balance sheet items, comparative data relate to the balance as at 31 December 2016, while in the case of the other items, comparative data relate to 3 quarters of 2016.

Separate statement of profit and loss and other comprehensive income

for the period from 1 January 2017 to 30 September 2017

Amounts in PLN thousand (PLN '000).

	Q3 2017	3 quarters of 2017	Q3 2016	3 quarters of 2016
Revenue	29,591	89,521	37,663	104,969
Cost of sales	24,716	74,600	31,605	89,205
Gross profit	4,875	14,921	6,058	15,764
Other income	1	51	7	20
Selling and administrative expenses	6,078	18,083	6,110	18,514
Other expenses	82	205	170	469
Profit before interest and tax	-1,284	-3,316	-215	-3,199
Finance income	-	1,878	54	1,111
Finance expenses	333	782	52	404
Profit from continued operations before tax	-1,617	-2,220	-213	-2,492
Income tax expense	-132	-503	7	-362
Profit from continued operations after tax	-1,485	-1,717	-220	-2,130
Profit from discontinued operations after tax	-	-	-	-
Profit for the year	-1,485	-1,717	-220	-2,130
Other comprehensive income				
None				
Total comprehensive income	-1,485	-1,717	-220	-2,130

	Unit	12 months until 30 September 2017	12 months until 30 September 2016
Annualized profit/(loss)	PLN thousand	-5,358	-5,127
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.11	-0.11
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.11	-0.11

Separate statement of financial position

as at 30 September 2017

Amounts in PLN thousand (PLN '000).

Assets	30.09.2017	31.12.2016
Non-current assets		
Intangible assets	281	340
Property, plant and equipment	43,682	37,182
Investments in related parties	78,233	78,241
Other financial assets	121	121
Deferred tax assets	6,390	6,628
Total non-current assets	128,707	122,512
Current assets		
Inventory	56,838	54,050
Trade and other receivables	16,726	16,756
Receivables from current income tax	-	-
Other financial assets	-	-
Cash and cash equivalents	5,630	16,309
Other current assets	319	171
Total current assets	79,513	87,286
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	208,220	209,798

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Separate statement of financial position as at 30 September 2017 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	30.09.2017	31.12.2016	
Equity			
Share capital	46,894	46,894	
Capital reserves	127,015	137,475	
Revaluation reserve	-	-	
Reserve capital	-	-	
Treasury shares	-	-	
Retained earnings	-1,717	-5,771	
Total equity	172,192	178,598	
Non-current liabilities			
Borrowings	6,070	848	
Provision for deferred income tax	2,135	2,876	
Provision for employee benefits	-	-	
Other provisions	-	-	
Total non-current liabilities	8,205	3,724	
Current liabilities			
Trade and other payables	19,014	16,627	
Current tax liability	-	-	
Borrowings	2,163	4,506	
Provision for employee benefits	1,703	1,007	
Other provisions	4,943	5,336	
Total current liabilities	27,823	27,476	
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-	
Total liabilities	36,028	31,200	
Total equity and liabilities	208,220	209,798	
	Unit	30.09.2017	31.12.2016
Book value	PLN thousand	172,192	178,598
Number of shares	thousand shares	46,894	46,894
Book value per share	PLN thousand	3.67	3.81
Diluted number of shares	thousand shares	46,894	46,894
Diluted book value per share	PLN	3.67	3.81

Separate cash flow statement

for the period from 1 January 2017 to 30 September 2017

Amounts in PLN thousand (PLN '000).

	3 quarters of 2017	3 quarters of 2016
<u>Operating activities</u>		
Net profit/(loss)	-1,717	-2,130
Amortization and depreciation	6,088	5,846
Dividend income	-1,878	-952
Interest revenue and expenses	116	66
Exchange rate gains/(losses)	2	27
Gain/(loss) on disposal of intangible and tangible non-current assets	-9	84
Movement in provisions, write-downs, prepayments and accruals	156	-1,421
Income tax expense	-503	-362
Other adjustments	-122	-
Cash flow from operations before movements in working capital	2,133	1,158
Movement in inventory	-2,788	7,245
Movement in receivables	-9	2,314
Movement in liabilities	1,873	2,428
Cash flow from operations before tax	1,209	13,145
Interest received from operating activities	-	-
Interest paid on operating activities	-1	-2
Income tax paid	-	-
Net cash flows from operating activities	1,208	13,143
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	41	16
Dividends received	1,878	2,169
Purchase of tangible and intangible non-current assets	-11,886	-2,316
Loans granted	-	-88
Purchase of financial assets	-	-
Net cash from investing activities	-9,967	-219

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Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN `000).

	3 quarters of 2017	3 quarters of 2016
<u>Financing activities</u>		
Proceeds from borrowings	3,761	-
Dividend for shareholders	-4,689	-4,689
Repayment of borrowings	-869	-4,303
Interest paid pertaining to financing activities	-115	-225
Net cash from financing activities	-1,912	-9,217
<u>Net cash from financing activities</u>		
	-10,671	3,707
Cash and cash equivalents at the beginning of the period	16,309	2,603
Exchange rate differences	-8	3
Cash and cash equivalents at the end of the period	5,630	6,313
<u>Structure of cash and cash equivalents</u>		
Unrestricted cash	4,719	6,191
Restricted cash	911	122
	5,630	6,313

Separate statement of changes in equity for the period from 1 January 2017 to 30 September 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*	-	-	-	-	-	-2,130	-2,130
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	4,238	-	-	-	-4,238	-
Payment of dividend	-	-	-	-	-	-4,689	-4,689
As at 30 September 2016	46,894	137,475	-	-	-	-2,130	182,239
As at 1 January 2017	46,894	137,475	-	-	-	-5,771	178,598
Total comprehensive income*	-	-	-	-	-	-1,717	-1,717
Coverage of loss from previous years	-	-5,771	-	-	-	5,771	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Payment of dividend	-	-4,689	-	-	-	-	-4,689
As at 30 September 2017	46,894	127,015	-	-	-	-1,771	172,192

*After 3 quarters of 2017, the amount of comprehensive income accounted for: net loss in the amount of PLN 1,771 thousand which decreased the amount of retained earnings. After 3 quarters of 2016, the amount of comprehensive income accounted for: net loss in the amount of PLN 2,130 thousand which decreased the amount of retained earnings.

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: 4.424 PLN/EUR as at 31 December 2016 and 4.3091 PLN/EUR as at 30 September 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, were used: 4.3688 PLN/EUR in 3 quarters of 2016; 4.2566 PLN/EUR in 3 quarters of 2017.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 4.1793 PLN/USD as at 31 December 2016 and 3.6519 PLN/USD as at 30 September 2017.

Separate data	in PLN thousand		in EUR thousand	
	3 quarters of 2017	2016 (comparative data)**	3 quarters of 2017	2016 (comparative data)**
I. Net revenue from the sale of products, goods and materials	89,521	104,969	21,031	24,027
II. Profit/(loss) from operating activities	-3,316	-3,199	-779	-732
III. Profit/(loss) before tax	-2,220	-2,492	-522	-570
IV. Net profit/(loss)	-1,717	-2,130	-403	-488
V. Net cash flows from operating activities	1,208	13,143	284	3,008
VI. Net cash flows from investing activities	-9,967	-219	-2,342	-50
VII. Net cash flows from financing activities	-1,912	-9,217	-449	-2,110
VIII. Net cash flows (total)*	-10,679	3,710	-2,509	849
IX. Total assets	208,220	209,798	48,321	47,423
X. Liabilities and provisions for liabilities	36,028	31,200	8,361	7,052
XI. Non-current liabilities	8,205	3,724	1,904	842
XII. Current liabilities	27,823	27,476	6,457	6,211
XIII. Equity	172,192	178,598	39,960	40,370
XIV. Share capital	46,894	46,894	10,883	10,600
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.11	-0.11	-0.03	-0.03
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.11	-0.11	-0.03	-0.03
XVIII. Book value per share (in PLN/EUR)	3.67	3.81	0.85	0.86
XIX. Diluted book value per share (in PLN/EUR)	3.67	3.81	0.85	0.86
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

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

**In the case of off-balance sheet items, comparative data relate to the balance as at 31 December 2016, while in the case of the other items, comparative data relate to 3 quarters of 2016.

Additional Information

to the consolidated quarterly report for 3 quarters of 2017 prepared by a group of companies whose parent company is Ceramika Nowa Gala SA, including 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 accounting principles compliant 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;
- 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 the 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 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.

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 17.1) and relocating 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 the 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. Since H2 2017, once the assembly and commissioning of new equipment were completed, the situation has improved. Due to production downtime, the profit was lower by PLN 4,437 thousand. In the comparable period of 2016, this figure was PLN 9,532 thousand. Production discontinuities resulting from the works carried out were reflected also in sales in Q1 2017.

- Capital expenditure for modernization of the plant of Ceramika Nowa Gala SA amounted to PLN 11,000 thousand;
- Dividends paid to shareholders of the parent company (see section 8): PLN 4,689 thousand;
- Payment of dividend in the amount of PLN 1,878 thousand from Ceramika Gres SA subsidiary to Ceramika Nowa Gala SA. The transaction affects only the separate financial statements and was eliminated from the consolidated financial statements.

4. 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 9,776 thousand;
- utilizing the provision for liabilities: PLN 10,102 thousand;
- increasing the provision for deferred income tax: PLN 83 thousand;
- utilizing the provision for deferred income tax: PLN 845 thousand;
- increasing deferred income tax assets: PLN 978 thousand;
- utilizing deferred income tax assets: PLN 1,845 thousand;
- increasing the amount of write-downs on inventory: PLN 466 thousand.

5. 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.

5.1. Information on geographic segments

Amounts in PLN thousand (PLN '000).

	DOMESTIC		EXPORTS		TOTAL	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Revenue	34,182	38,605	7,401	9,215	41,583	47,820
Cost of sales	23,686	25,197	5,440	6,045	29,126	31,242
Sales result	10,496	13,408	1,961	3,170	12,457	16,578
Unallocated costs					210	2,085
Gross profit					12,247	14,493

	DOMESTIC		EXPORTS		TOTAL	
	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016
Revenue	99,551	109,444	22,214	24,473	121,765	133,917
Cost of sales	66,813	71,812	15,936	17,118	82,745	88,930
Sales result	32,738	37,632	6,278	7,355	39,016	44,987
Unallocated costs					4,182	10,156
Gross profit					34,834	34,831

Assets	DOMESTIC		EXPORTS		TOTAL	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Trade receivables	20,522	16,814	6,369	5,560	26,891	22,374
Other receivables (unallocated)					3,622	3,299
					30,513	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	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Revenue from sales to external customers	41,546	47,773	37	47	41,583	47,820
Purchase of fixed assets	2,489	814	-	-	4,489	814

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016
Revenue from sales to external customers	121,489	133,752	276	165	121,765	133,917
Purchase of fixed assets	15,333	5,465	-	-	15,333	5,465

5.3. Information on significant customers

Within 3 quarters of 2017, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

6. Loan agreements concluded within 3 quarters of 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. The debt as at the balance sheet date amounted to EUR 432 thousand.

Annex to the revolving credit facility agreement concluded with mBank SA on 28 October 2002

The deadline for repayment of the revolving credit facility in the amount of PLN 3,640 thousand granted to the Company by mBank SA fell on 29 June 2017. On 26 June 2017, Ceramika Nowa Gala

SA signed an annex to the revolving credit facility agreement which extended the deadline for its repayment until 28 June 2019, while maintaining the existing collateral. At the same time, the Company decreased its existing overdraft limit from PLN 3,640 thousand to PLN 3,540 thousand. The agreement provides for repayment of the credit in monthly instalments of PLN 100 thousand.

Signing annexes to credit agreements by Ceramika Nowa Gala SA and mBank SA

On 27 July, the Company and mBank SA signed annexes to the following agreements: overdraft facility agreement, investment credit agreement and an cooperation agreement as regards letters of credit, modifying the levels of ratios which give a view of the Company's financial position.

Annex to the overdraft facility agreement concluded with Bank Polska Kasa Opieki SA on 24 September 2013

Following the Company's assessment performed by Pekao SA, the credit price parameters remained unchanged (at the same level as in 2016), which was confirmed on 24 July 2017 by way of Annex 3. The decision concerns the period from 1 October 2017 to 30 September 2018.

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

Contract for the purchase of plant and equipment

Future liabilities related to the purchase of plant and machinery under signed contracts amount, as at the balance sheet date, to PLN 1,120 thousand.

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 10,125 thousand.

8. Dividends paid to shareholders of the parent company

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 share was PLN 0.10, thus the total amount paid out was PLN 4,689,362.10. The dividend was paid on 46,893,621 shares. The dividend was paid on 14 June 2017.

9. Annex to the non-recourse factoring agreement No. 40/2016 of 5 August 2016

On 1 August 2017, Ceramika Nowa Gala SA signed Annex 2 to non-recourse factoring agreement No. 40/2016 of 5 August 2016, reducing the maximum limit of financing from PLN 25,000 thousand to PLN 15,000 thousand.

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

Signing an annex to the agreement providing for a loan granted by Ceramika Nowa Gala SA to CNG Luxembourg S.a.r.l. subsidiary

In October 2017, 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, and extended the deadline for its repayment until 31 December 2018. The increased loan amount (without accrued interest) is EUR 75 thousand.

Loan agreement concluded with mBank SA on 3 October 2017

In order to refinance capital expenditure made to purchase non-current assets, Ceramika Nowa Gala SA contracted, in October 2017, a five-year investment loan in the amount of EUR 680 thousand. The deadline for payment of the last instalment falls on 28 February 2022.

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

The Company did not publish any forecasts for 2017.

12. 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. 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 (former 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 Sub-fund 1	2,509,980	5.35%	2,509,980	5.35%
ING Otwarty 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 2017 published on 15 May 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 OTWARTY FUNDUSZ EMERYTALNY (former 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 Sub-fund 1	2,509,980	5.35%	2,509,980	5.35%

13. Statement of the ownership of the Company's shares or rights to shares of 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.

14. 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.

15. Information on entering by the Company 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, neither individually nor jointly, that would be significant and concluded otherwise than on the arm's length basis.

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

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. The surety bonds are subject to remuneration charged at market rates.

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

Ceramika Nowa Gala SA increased the amount of the loan granted to CNG Luxembourg S.à.r.l. subsidiary by EUR 30 thousand (see also section 10).

17. 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

17.1. Modernization and restructuring of production processes in the Group

In 2017, after a few years of limited investment, the Company began reorganization of the production structure 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. Consolidation of production is coupled with modernization of the remaining plants (see also section 17.2).

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 (number of 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 works carried out 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, and were paid for 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, have 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.

There were no group lay-offs due to the reorganization.

The changes have resulted in a decrease in the production capacity by 1.6 million sq. m. per annum (the decrease from the level recorded in March 2017), to 6.6 million sq. m., which should not affect sales volumes, as the production capacity was fully utilized and its maintenance was burdensome.

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. As regards Ceramika Nowa Gala II, the Management Board is considering its merger with another company of the Group, but the final decision has not been made yet.

By the date of this report, most new or upgraded production lines were made operational and commissioned.

17.2. Termination of the permit to operate by Ceramika Nowa Gala II 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 a relocation of production from CNG II to the other two factories of the Group (for more information see section 17.1). By his decision of 13 February 2017, the Minister of Development and Finance declared the expiry of the permit to carry out business operations by CNG II within the Starachowice Special Economic Zone.

18. 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

18.1. Capacity to finance the ongoing investment plan

The companies of the Group had an adequate amount of own funds and available bank facilities (see section 6) which guarantee full coverage of necessary capital expenditure related to the implementation of the plan referred to in section 17.1.

18.2. 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 that the Company would initiate 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 any 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. There were no material changes in this regard as at the balance sheet date.

18.3. Change in the composition of the Issuer's Supervisory Board and appointment of an audit committee

On 14 July 2017, the Extraordinary General Meeting of the Issuer's Shareholders, appointed Mr. Marek Gabryjelski member of the Supervisory Board in connection with resignation by Mr. Jacek Tomasiak from the function of member of the Supervisory Board, announced on 2 June 2017.

Furthermore, on 14 July 2017, the Company's Supervisory Board appointed an Audit Committee. All members of the Issuer's Supervisory Board were appointed members of the Audit Committee, i.e.:

- Marek Gabryjelski – Chairperson of the Audit Committee;
- Paweł Marcinkiewicz – member of the Audit Committee;
- Grzegorz Ogonowski – member of the Audit Committee;
- Łukasz Żuk - member of the Audit Committee;
- Wojciech Włodarczyk - member of the Audit Committee.

19. 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:

- completion of the modernization and production processes restructuring program referred to in section 17.1;
- foreign exchange volatility;
- uncertainty about the rate of economic growth in Poland and on markets onto 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 decline in sales in Q4.

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.