



Consolidated interim financial statements

Ceramika Nowa Gala SA

for the period between January 1, 2014 and June 30, 2014

Końskie, on August 28, 2014

Consolidated statement of profit and loss and other comprehensive income

for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	1st half of 2014	1st half of 2013
Revenues	91 958	99 072
Cost of sales	69 087	77 964
Gross profit	22 871	21 108
Other income	649	805
Selling and administrative expenses	20 196	20 431
Other expenses	1 154	1 245
Profit before interests and tax	2 170	237
Finance income	62	286
Finance costs	1 554	3 088
Share in profits of associates and joint ventures	-	-
Profit before tax	678	-2 565
Income tax expense	-1 067	-650
Profit from continued operations	1 745	-1 915
Profit from discontinued operations	-	-
Profit for the year	1 745	-1 915
Other comprehensive income that may not be transferred to the profit in the future		
Costs pertaining to purchase treasury shares	-	-2
Other comprehensive income that may not be transferred to the profit in the future		
Exchange rate differences from translation	-1	-14
Total comprehensive income	1 744	-1 931
Profit attributable to		
shareholders of the parent company	1 745	-1 915
non-controlling interests	-	-
	1 745	-1 915
Total comprehensive income attributable to		
shareholders of the parent company	1 744	-1 931
non-controlling interests	-	-
	1 744	-1 931

	Entity	1st half of 2014	1st half of 2013
Annualized profit (loss)	PLN thousand	2 021	2 087
Weighted average number of shares*	thousand pcs	46 894	47 266
Basic earning per share from continued operations	PLN	0.04	0.04
Weighted average diluting number of shares*	thousand pcs	46 894	47 266
Diluted earning per share from continued operations	PLN	0.04	0.04

* without treasury shares held by the company or its subsidiary

Consolidated statement of financial position as at June 30, 2014

Amounts in PLN thousand (PLN '000).

Assets	30.06.2014	31.12.2013
Non-current assets		
Goodwill	18 851	18 851
Other intangible assets	4 616	4 953
Property, plant and equipment	114 302	114 730
Investment property	7 550	7 550
Other financial assets	145	145
Deferred tax assets	10 596	9 847
Total non-current assets	156 060	156 076
Current assets		
Inventory	97 132	96 302
Trade and other receivables	45 346	39 444
Receivables from current income tax	825	1 487
Other financial assets	-	-
Cash and cash equivalents	11 240	5 120
Other current assets	1 071	633
Total current assets	155 614	142 986
Assets classified as available for sale in accordance with IFRS 5	-	-
Total assets	311 674	299 062

(continued on the next page)

Consolidated statement of financial position as at June 30, 2014 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	30.06.2014	31.12.2013
Equity		
Share capital	56 114	56 114
Reserves	158 169	150 907
Revaluation reserve	-	-
Exchange rate differences from translation	5	6
Other reserves	8 719	8 719
Treasury shares	-24 377	-24 377
Current portion of retained earnings	1 539	10 807
Equity attributable to the shareholders of the parent company	200 169	202 176
Non-controlling interests	-	-
Total equity	200 169	202 176
Non-current liabilities		
Borrowings	51 684	5 070
Provision for deferred income tax	7 182	7 522
Provision for employee benefits	24	24
Total non-current liabilities	58 890	12 616
Current liabilities		
Trade and other payables	36 749	28 993
Current tax liability	25	30
Borrowings	9 121	42 918
Other financial liabilities*	-	4 127
Provision for employee benefits	1 283	1 174
Other provisions	5 437	7 028
Total current liabilities	52 615	84 270
Liabilities associated with assets classified as available for sale in accordance with IFRS 5	-	-
Total liabilities	111 505	96 886
Total liabilities and equity	311 674	299 062
Book value (in PLN thousand)	200 169	202 176
Number of shares (in thousand pcs)**	46 894	46 894
Book value per share (in PLN)	4.27	4.31
Diluted number of shares (in thousand pcs)**	46 894	46 894
Diluted book value per share (in PLN)	4.27	4.31

* factoring agreement of the subsidiary company

** without treasury shares held by the company or its subsidiary

Consolidated cash flow statement

for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	1st half of 2014	1st half of 2013
Operating activities		
Net profit or loss	1 745	-1 915
Amortization and depreciation	6 606	6 998
Interest revenues and costs	1 417	1 967
Revenues and costs from exchange rate differences	-78	-290
Gain on disposal of intangible and tangible non-current assets	178	14
Movement of provisions, write downs, prepayments and accruals	-1 919	1 191
Income tax expense	-1 067	-650
Other adjustments	-1	-14
Cash flow from operations before movements in working capital	6 881	7 301
Movement of inventory	-828	1 655
Movement of receivables	-5 519	-6 813
Movement of liabilities	2 717	4 611
Gross cash flow from operations	3 251	6 754
Received interest from operating activities	-	16
Interest paid from operating activities	2	-23
Income tax paid	291	-551
Net cash flows from operating activities	3 545	6 196
Investing activities		
Proceeds from disposal of tangible and intangible non-current assets	81	-
Purchase of tangible and intangible non-current assets	-4 857	-3 864
Net cash flows from investing activities	-4 776	-3 864

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Consolidated cash flow statement for the period between January 1, 2014 and June 30, 2014 (contd.)

Amounts in PLN thousand (PLN `000).

	1st half of 2014	1st half of 2013
Financing activities		
Proceeds from borrowings	45 475	41 704
Proceeds from other sources of financing*	-	1 079
Purchase of treasury shares	-	-632
Repayment of borrowings	-32 660	-29 270
Repayment of other sources of financing*	-4 127	-
Interest paid pertaining to financing activity	-1 422	-1 950
Net cash flows from financing activities	7 266	10 931
Net cash flows from activity		
Cash and cash equivalents at the beginning of the period	5 120	5 076
Exchange rate differences	85	310
Cash and cash equivalents at the end of the period	11 240	18 649
Structure of cash and cash equivalents		
Cash available for use	11 067	8 321
Cash unavailable for use**	173	10 328
	11 240	18 649

* refers to factoring agreement of the subsidiary company

**in comparable data the amount of PLN 10,000,000 refers to an in-transit repayment of a bank loan refinanced by a loan from another bank

Consolidated statement of changes in equity for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	Attributable to the shareholders of the parent company							Non-controlling interests	Total equity	
	Share capital	Reserves	Exchange rate differences from translation	Reserve capital	Revaluation reserve	Treasury shares	Current portion of retained earnings			Total
As at January 1, 2013	57 038	150 230	6	14 773	-	-25 527	7 927	204 447	-	204 447
Total comprehensive income*	-	-	-14	-	-	-2	-1 915	-1 931	-	-1 931
Coverage of loss from previous years	-	-5 473	-	-603	-	-	6 076	-	-	-
Division of profit from previous years	-	1 558	-	-	-	-	-1 558	-	-	-
Redemption of treasury shares	-924	-858	-	-	-	1 782	-	-	-	-
Purchase of shares	-	5 450	-	-5 450	-	-630	-	-630	-	-630
As at June 30, 2013	56 114	150 907	-8	8 720	-	-24 377	10 530	201 886	-	201 886
As at January 1, 2014	56 114	150 907	6	8 719	-	-24 377	10 807	202 176	-	202 176
Total comprehensive income*	-	-	-1	-	-	-	1 745	1 744	-	1 744
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Division of profit from previous years	-	7 262	-	-	-	-	-7 262	-	-	-
Adopted dividend	-	-	-	-	-	-	-3 751	-3 751	-	-3 751
Redemption of treasury shares	-	-	-	-	-	-	-	-	-	-
Purchase of shares	-	-	-	-	-	-	-	-	-	-
As at June 30, 2014	56 114	158 169	5	8 719	-	-24 377	1 539	200 169	-	200 169

* After the 1st half of 2014 the amounts of total income were attributed to the following items of equity: net profit in the amount of PLN 1,745 thousand, which increased the value of retained earnings and exchange rate differences from translation in the amount of PLN 1 thousand decreased a relevant item of capitals. After the 1st half of 2013 the amounts of total income were attributed to the following items of equity: net loss in the amount of PLN 1,915 thousand, which decreased the value of retained earnings, costs of purchase of treasury shares in the amount of PLN 2 thousand were included (in minus) in the item – treasury shares, and exchange rate differences from translation in the amount of PLN 14 thousand decreased the relevant item of equity.

Financial highlights

Euro exchange rates used for translating the items in the table below:

- in the event of balance sheet data the average exchange rate of NBP was used: 4.1472 PLN/EUR as at December 31, 2013 and 4.1609 PLN/EUR as at June 30, 2014;
- in the event of data derived from profit and loss account as well as cash flow statement the following exchange rates constituting arithmetic average of rates of NBP were used: 4.214 PLN/EUR in the 1st half of 2013; 4.1784 PLN/EUR in the 1st half of 2014.

Average exchange rates of NBP for USD used for translating the currency items were the following: 3.012 PLN/USD as at December 31, 2013 and 3.0473 PLN/USD as at June 30, 2014;

Consolidated data	(in PLN thousand)		(in EUR thousand)	
	1st half of 2014	2013 (comparable data)**	1st half of 2014	2013 (comparable data)**
I. Revenue	91 958	99 072	22 008	23 510
II. Profit (loss) before interests and tax	2 170	237	519	56
III. Profit (loss) before tax	678	-2 565	162	-609
IV. Net profit (loss)	1 745	-1 915	418	-454
V. Net cash flows from operating activities	3 545	6 196	848	1,470
VI. Net cash flows from investing activities	-4 776	-3 864	-1 143	-917
VII. Net cash flows from financing activities	7 266	10 931	1 739	2 594
VIII. Net cash flows, in total*	6 120	13 573	1 465	3 221
IX. Total assets	311 674	299 062	74 905	72 112
X. Liabilities and provisions for liabilities	111 505	96 886	26 798	23 362
XI. Non-current liabilities	58 890	12 616	14 153	3 042
XII. Current liabilities	52 615	84 270	12 645	20 320
XIII. Equity	200 169	202 176	48 107	48 750
XIV. Share capital	56 114	56 114	13 486	13 531
XV. Number of shares	56 114 378	56 114 378	-	-
XVI. Basic earning per share (in PLN / EUR)	0.04	0.04	0.01	0.01
XVII. Diluted earning per share (in PLN / EUR)	0.04	0.04	0.01	0.01
XVIII. Book value per share (in PLN / EUR)	4.27	4.31	1.03	1.04
XIX. Diluted book value per share (in PLN / EUR)	4.27	4.31	1.03	1.04
XX. Declared or paid dividend per share (in PLN / EUR)	0.08	-	0.02	-

*We provide balance sheet movement of cash taking into account movement of revaluation on account of exchange rate differences.

** In the case of balance sheet items, comparable data refer to the balance as at December 31, 2013, and in the case of other items, comparable data are the data for the 1st half of 2013

Additional information

regarding consolidated interim financial statements for the period between January 1, 2014 and June 30, 2014

1. The principles applied in preparation of the consolidated interim semi-annual report

While preparing the consolidated financial statements the company applies the accounting principles consistent with the International Financial Reporting Standards. All the data results from accounting books of subsidiaries, off-balance sheet records and consolidation documentation.

The group is composed of the following business entities subject to full consolidation:

- Ceramika Nowa Gala SA – parent company;
- Ceramika Nowa Gala II Sp. z o.o.– subsidiary;
- Ceramika Gres SA– subsidiary;
- CNG Luxembourg S.a.r.l. – subsidiary;
- Energia Park Trzemoszna sp. z o.o.– company controlled by subsidiaries (currently the company does not conduct any business activity)

Except for the subsidiary company CNG Luxembourg S.a.r.l., the accounts of subsidiaries are kept in accordance with the same accounting principles which apply at the parent company. The accounts of CNG Luxembourg S.a.r.l. is maintained in accordance with the accounting standards of Luxembourg and during consolidation its financial statements are subject to relevant amendments.

The present consolidated semi-annual condensed financial statements were prepared according to IFRS 34. The applied accounting principles are identical to those applied while preparing the financial statements for 2013.

The consolidated interim financial statements were prepared with the assumption that the companies comprising the group will continue their business activity in the foreseeable future. As at the day of approval of the present financial statements for publication, no circumstances suggesting any threat that the companies will not be able to continue their business activity were identified.

The consolidated interim condensed financial statements do not comprise all information and disclosures required in the annual consolidated financial statements and thus it should be read together with the consolidated financial statements of the group prepared in accordance with IFRS for the financial year ended on December 31, 2013.

2. The seasonal character of the issuer's business

Similarly to other sectors of the building industry, the sector of ceramic tiles may be characterized by a seasonal demand from the goods sold. The lowest demand is observed during winter months (the first quarter and the last two months of the year) while the highest is observed in summer.

3. Impact of unusual events on the financial statements

- Charges on the financial result as a consequence of the production stoppages: PLN 4,860;
- Offsetting the remaining part of the dividend paid by the subsidiary Ceramika Nowa Gala II sp. z o.o. to the parent company (see point 8). The transaction influences separate financial statements only and is eliminated from the consolidated financial statement.

4. Information on essential changes in provisions, including provisions and assets due to deferred income tax as well as write-downs on assets

- creating provisions for liabilities: PLN 7,312 thousand;
- utilizing provisions for liabilities: PLN 8,728 thousand;
- increasing provisions for deferred income tax: PLN 51 thousand;
- utilizing provisions for deferred income tax: PLN 392,000;
- increasing deferred income tax assets: PLN 3,849 thousand;
- utilizing assets due to deferred income tax: PLN 3,114 thousand;
- increasing inventory write-down: PLN 182 thousand.

5. Business segments

The organizational structure of the group is based on its functional structure. Four basic areas of activity have been distinguished: sale, production, finances as well as administration and logistics. Crucial decisions regarding current business activity and development strategy of the group are made by the management board. The group specializes in production of ceramic stoneware sold under two brands: Ceramika Nowa Gala and Ceramika Gres. The sales policy is established jointly for the whole group. In accordance with IFRS 8 requirements only one operating segment has been distinguished.

5.1. Information on geographic segments

Amounts in PLN thousand (PLN `000).

	DOMESTIC		EXPORT		TOTAL	
	1sthalf of 2014	1sthalf of 2013	1sthalf of 2014	1sthalf of 2013	1sthalf of 2014	1sthalf of 2013
Revenues	75 978	79 411	15 980	19 661	91 958	99 072
Cost of sales	52 146	56 433	11 496	14 248	63 642	70 681
Result on sales	23 832	22 978	4 484	5 413	28 316	28 391
Unallocated costs					5 445	7 283
Gross profit					22 871	21 108

Assets	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Trade receivables	36 072	29 803	6 599	6 262	42 671	36 065
Other receivables (unallocated)					2 675	3 379
					45 346	39 444

None of the export countries exceeds 10% of consolidated revenues.

All fixed assets of the group are located in Poland. The subsidiary CNG Luxembourg does not have any fixed assets and does not conduct any manufacturing or trade operations. Main assets of the subsidiary include 8,983,608 treasury shares of the parent company.

5.2. Information on product segments

The group specializes in the production of ceramic tiles and complementary items which are sold as part of a joint offer. The remaining sales are marginal and consist of raw materials and services.

Amounts in PLN thousand (PLN `000).

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	1st half of 2014	1st half of 2013	1st half of 2014	1st half of 2013	1st half of 2014	1st half of 2013
Revenues from sales to external customers	91 070	98 173	888	899	91 958	99 072
Purchase of fixed assets	6 774	5 017	-	-	6 774	5 017

5.3. Information on significant customers

In the 1st half of 2014 sales to none of the customers of the group exceeded 10% of consolidated revenues from sales.

6. Changes in off balance sheet items from the annual report for 2013

Changes in off balance sheet items have been made comparing to information published in the last consolidated annual report. With regard to partial repayment of liabilities due to the contract signed with an Italian supplier, future liabilities resulting from the purchase of machines and equipment amounted to EUR 255 000 as of June 30, 2014. Contract to update existing version of Oracle EBS integrated management system results in future liabilities of PLN 217 000 (as of June 30, 2014).

7. Loan agreements concluded in the 1st half of 2014

7.1. Ceramika Nowa Gala SA

Loan agreement with mBank SA

In order to purchase manufacturing equipment in January 2014 the company obtained an investment loan for 5 years in the amount of EUR 680 000 from mBank SA (formerly BRE Bank SA). The deadline for payment of the last installment falls on January 25, 2019. The loan shall be secured with a registered pledge on fixed assets that are financed by that loan.

Loan agreement with Bank Handlowy SA

The deadline for payment of overdraft line of credit granted to the company by Bank Handlowy SA in Warsaw was established on April 25, 2014. On April 25, 2014 Ceramika Nowa Gala SA signed a revolving credit facility agreement with a deadline for repayment until April 22, 2016 with the existing collateral and limit.

7.2. Ceramika Gres SA

Loan agreement with ING Bank Śląski SA

On June 25, 2014 the subsidiary Ceramika Gres SA concluded a loan agreement with ING Bank Śląski SA for the amount of PLN 40,000 in order to finance current activity of the company, whereas the loan was firstly used to repay the loan and factoring from Alior Bank SA. Loan collateral includes: guarantee of Ceramika Nowa Gala SA and Ceramika Nowa Gala II sp. z o.o., real estate mortgage and registered pledge on finished products, goods and fixed assets. Similarly, the collateral was established for refinancing the loan and factoring agreement. The deadline for repayment of the loan is due on June 23, 2016.

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

On June 26, 2013 the ordinary shareholders meeting of the subsidiary Ceramika Nowa Gala II sp. z o.o., under the resolution no. 3, decided that the net profit of the company for 2012 in the amount of PLN 12,678,303.72 as well as the amount of PLN 32,791,458.09 originating from the reserve capital for the payment of dividend will be used for the payment of dividend for Ceramika Nowa Gala SA. The dividend was paid in installments in the following manner:

- the amount of PLN 32,791,458.09 until June 30, 2013;
- the amount of PLN 12,678,303.72 – offset against other accounts was made on January 31, 2014.

9. Publication of the new development strategy of Ceramika Nowa Gala group for the years 2014-2016

On March 12, 2014 the management board published for a new development strategy of Ceramika Nowa Gala group for the years 2014-2016. Its main assumptions include:

- sales growth (5% annually) during the period covered;
- EBITDA margin increase till the end of 2016 up to 7 percentage points and to the level of approximately 17% as a consequence of the performance of strategic initiatives in three main areas:
 - a. increasing utilization of manufacturing capacity (4-5 percentage points of margin increase);
 - b. new technologies (investments in production of unglazed tiles and digital printing should result in margin increase by 1-2 percentage points;
 - c. process optimization (number of activities including inter alia: simplification of product portfolio, purchase consolidation, redundancies, process simplification should result in margin increase by 3 percentage points).
- shortening of the supply chain with regard to ceramic tiles distribution;
- allocating PLN 45 mln in total for capital expenditures in the period of 2014-2016, including PLN 10 mln for replacements maintenance, PLN 15 mln for modernization and new technology and PLN 20 mln for development of logistics and warehouses;
- maintaining the average level of working capital and average interest debt on the levels present at the end of 2013;
- proposing redemption of treasury shares held by the group (9,220,757 shares constituting 16.43% of share capital) in 2014 (see also point 13);
- introducing dividend policy which at least 30% of the consolidated net profit of the group would be allocated for the dividend per year, however, not more than 10 groszys per share (see also point 12).

10. The management board opinion on status of the financial projections for 2014

No projections for the year 2014 were published by the company.

11. Violation of loan covenants

Every loan to the group can be terminated by the bank before its maturity if certain conditions are met. Banks can terminate the loan, increase interest rates charged or demand additional collateral when any member of Ceramika Nowa Gala group violates terms of the loan agreement or when the company's situation worsens, threatening repayment of the loan.

As at the balance sheet date, the condition of achieving certain level of gross profit margin and net profit margin specified by the bank was not met in the case of the loan granted by BRE Bank SA to Ceramika Nowa Gala SA. Despite the failure to meet the above mentioned conditions the bank confirmed in writing that it does not intend to terminate any of the loans.

12. Adoption of the resolution on dividend payment by the general shareholders meeting

On June 30, 2014 the general shareholders meeting, according to the resolution no. 7, decided to allocate part of the profit for 2013 in the amount of PLN 3,751,489.68 for dividend payment. This means that one share will equal PLN 0.08 of dividend. The right to dividend shall be established on September 30, 2014 while the dividend shall be paid on October 15, 2014. The dividend shall not include treasury shares.

13. Adoption of the resolution by the general meeting on redemption of treasury shares without compensation and decrease of the company's share capital

On June 30, 2014 the general shareholders meeting, under the resolution no. 14, decided to decrease the company's share capital from PLN 56,114,378 to PLN 46,893,621 by reduction in the number of shares from 56,114,378 shares to 46,893,621 shares by redemption of 9,220,757 shares. At the same time the general shareholders meeting, under the resolution no. 13 of June 30, 2014, decided to redeem 9,220,757 treasury shares in total in the company's share capital. The redemption of 8,983,608 shares held by the subsidiary CNG Luxembourg S.a.r.l. shall be without any compensation upon the consent of the shareholder expressed in the agreement for the transfer of the ownership of shares which will be concluded outside the regulated market between the shareholder and the company. The objective of the redemption of 8,983,608 shares held by the subsidiary and 237,149 shares held by the issuer is to reorganize company shareholder structure and ensuring greater transparency and stability of the shareholder structure in the future, which is compliant with the company's interest.

14. Important events after the balance sheet date and before the date of the publication of this report

On August 6, 2014 the share capital of the subsidiary under CNG Luxembourg S.a.r.l. was increased by EUR 200 000. The increase was fully paid in cash by the parent company Ceramika Nowa Gala SA.

Signatures

These statements were prepared and signed **on August 28, 2014**. They shall be published on September 1, 2014.

Management Board

Chief Accountant

Separate statement of profit and loss and other comprehensive income

for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	1st half of 2014	1st half of 2013
Revenues	74 041	78 630
Cost of sales	67 287	68 912
Gross profit	6 754	9 718
Other income	95	219
Selling and administrative expenses	13 460	12 431
Other expenses	536	341
Profit before interests and tax	-7 147	-2 835
Finance income	130	45 596
Finance costs	513	929
Profit before tax	-7 530	41 832
Income tax expense	-1 353	-583
Profit from continued operations	-6 177	42 415
Profit from discontinued operations	-	-
Profit for the year	-6 177	42 415
Other comprehensive income that may not be transferred to the profit in the future		
Costs pertaining to purchase of shares	-	-2
Total comprehensive income	-6 177	42 413

	Entity	1st half of 2014	1st half of 2013
Annualized profit (loss) \	PLN thousand	-13 355	41 037
Weighted average number of shares*	thousand pcs	46 894	47 266
Basic earning per share on continued operations	PLN	-0,28	0.87
Weighted average diluting number of shares*	thousand pcs	46 894	47 266
Diluted earning per share on continued operations	PLN	-0,28	0.87

* without treasury shares held by the company or its subsidiary

Separate statement of financial position

as at June 30, 2014

Amounts in PLN thousand (PLN '000).

Assets	30.06.2014	31.12.2013
Non-current assets		
Intangible assets	168	176
Property, plant and equipment	51 243	49 563
Investments in related entities	101 764	101 664
Other financial assets	121	121
Deferred tax assets	5 650	4 472
Total non-current assets	158 946	155 996
Current assets		
Inventory	72 383	69 353
Trade and other receivables	29 189	42 974
Receivables on account of current income tax	765	1 275
Loans granted to subsidiaries	678	406
Other financial assets	-	-
Cash and cash equivalents	3 971	1 079
Other current assets	626	190
Total current assets	107 612	115 277
Assets classified as available for sale in accordance with IFRS 5	-	-
Total assets	266 558	271 273

(continued on the next page)

Separate statement of financial position as at June 30, 2014 (contd.)

Amounts in PLN thousand (PLN '000).

Equity and liabilities	30.06.2014	31.12.2013	
Equity			
Share capital	56 114	56 114	
Reserves	154 942	123 456	
Revaluation reserve	-	-	
Other reserves	-	-	
Treasury shares	-538	-538	
Current portion of retained earnings	-6 177	35 237	
Total equity	204 341	214 269	
Non-current liabilities			
Borrowings	11 910	5 070	
Provision for deferred income tax	5 549	5 724	
Provision for employee benefits	-	-	
Other provisions	-	-	
Total non-current liabilities	17 459	10 794	
Current liabilities			
Trade and other payables	31 215	30 001	
Current tax liability	-	-	
Borrowings	9 121	11 165	
Provision for employee benefits	900	826	
Other provisions	3 522	4 218	
Total current liabilities	44 758	46 210	
Liabilities associated with assets classified as available for sale in accordance with IFRS 5	-	-	
Total liabilities	62 217	57 004	
Total liabilities and equity	266 558	271 273	
	Entity	30.06.2014	31.12.2013
Book value	PLN thousand	204 341	214 269
Number of shares*	thousand pcs	46 894	46 894
Book value per share	PLN thousand	4.36	4.57
Diluted number of shares*	thousand pcs	46 894	46 894
Diluted book value per share	PLN	4.36	4.57

* without treasury shares held by the company or its subsidiary

Separate cash flow statement

for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	1st half of 2014	1st half of 2013
<u>Operating activities</u>		
Net profit or loss	-6 177	42 415
Amortization and depreciation	3 722	3 888
Proceeds from dividends	-	-45 470
Interest revenues and costs	391	666
Revenues and costs from exchange rate differences	-14	-52
Gain on disposal of tangible and intangible non-current assets	85	13
Movement of provisions, write-downs and prepayments and accruals	-1 057	-482
Income tax expense	-1 353	-583
Cash flow from operations before movements in working capital	-4 403	395
Movement of inventory	-3 030	-909
Movement of receivables	1 114	-1 504
Movement of liabilities	9 112	6 582
Gross cash flow from operations	2 793	4 564
Received interest from operating activities	-	14
Interest paid from operating activities	-1	-23
Income tax paid	316	-339
Net cash flow from operating activities	3 108	4 216
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	19	15
Purchase of tangible and intangible non-current assets	-4 281	-1 284
Loans granted	-262	-106
Net cash flow from investing activities	-4 524	-1 375

(continued on the next page)

Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN '000).

	1st half of 2014	1st half of 2013
<u>Financing activities</u>		
Proceeds from borrowings	5 700	3 189
Purchase of treasury shares	-	-632
Repayment of borrowings	-909	-4 721
Interest paid pertaining to financing activity	-504	-778
Net cash flow from financing activities	4 287	-2 942
<u>Net cash flow from activity</u>		
	2 871	-101
Cash and cash equivalents at the beginning of the period	1 079	2,192
Exchange rate difference	21	65
Cash and cash equivalents at the end of the period	3 971	2 156
<u>Structure of cash and cash equivalents</u>		
Cash available for use	3 875	1 957
Cash unavailable for use	96	199
	3 971	2 156

Separate statement of changes in equity for the period between January 1, 2014 and June 30, 2014

Amounts in PLN thousand (PLN '000).

	Share capital	Reserves	Other reserves	Capital from revaluation	Treasury shares	Current portion of retained earnings	Total equity
As at January 1, 2013	57 038	124 337	5 450	-	-1 688	-5 473	179 664
Total comprehensive income*	-	-	-	-	-2	42 415	42 413
Coverage of loss from previous years	-	-5 473	-	-	-	5 473	-
Profit division from previous years	-	-	-	-	-	-	-
Redemption of treasury shares	-924	-858	-	-	1 782	-	-
Purchase of shares	-	5 450	-5 450	-	-630	-	-630
As at June 30, 2013	56 114	123 456	-	-	-538	42 415	221 447
As at January 1, 2014	56 114	123 456	-	-	-538	35 237	214 269
Total comprehensive income*	-	-	-	-	-	-6 177	-6 177
Coverage of loss from previous years	-	-	-	-	-	-	-
Profit division from previous years	-	31 486	-	-	-	-31 486	-
Adopted dividend	-	-	-	-	-	-3 751	-3 751
Redemption of treasury shares	-	-	-	-	-	-	-
Purchase of shares	-	-	-	-	-	-	-
As at June 30, 2014	56 114	154 942	-	-	-538	-6 177	204 341

* After the 1st half of 2014 the amounts of total income were attributed to the net loss in the amount of PLN 6,177 thousand, which decreased the value of retained earnings. After the 1st half of 2013 the amounts of total income were attributed to the following items of equity: net profit in the amount of PLN 42,415 thousand, which increased the value of retained earnings, costs of purchase of shares in the amount of PLN 2 thousand were included (in minus) in the item – treasury shares.

Financial highlights

Euro exchange rates used for translating the items in the below table:

- in the event of balance sheet data the average exchange rate of NBP was used: 4.1472 PLN/EUR as at December 31, 2013 and 4.1609 PLN/EUR as at June 30, 2014;
- in the event of data originating from profit and loss account as well as cash flow statement the following exchange rates constituting arithmetic average of rates of NBP were used: 4.214 PLN/EUR in the 1st half of 2013; 4.1784 PLN/EUR in the 1st half of 2014.

Average exchange rates of NBP for USD used for translating the currency items were the following: 3.012 PLN/USD as at December 31, 2013 and 3.0473 PLN/USD as at June 30, 2014

Separate data	in PLN thousand		in EUR thousand	
	1st half of 2014	2013 (comparable data)*	1st half of 2014	2013 (comparable data)*
I. Revenue	74 041	78 630	17 720	18 659
II. Profit (loss) before interests and tax	-7 147	-2 835	-1 710	-673
III. Profit (loss) before tax	-7 530	41 832	-1 802	9 927
IV. Net profit (loss)	-6 177	42 415	-1 478	10 065
V. Net cash flows from operating activities	3 108	4 216	744	1 000
VI. Net cash flows from investing activities	-4 524	-1 375	-1 083	-326
VII. Net cash flows from financing activities	4 287	-2 942	1 026	-698
VIII. Net cash flows, in total	2 892	-36	692	-9
IX. Total assets	266 558	271 273	64 063	65 411
X. Liabilities and provisions for liabilities	62 217	57 004	14 953	13 745
XI. Non-current liabilities	17 459	10 794	4 196	2 603
XII. Current liabilities	44 758	46 210	10 757	11 142
XIII. Equity	204 341	214 269	49 110	51 666
XIV. Share capital	56 114	56 114	13 486	13 531
XV. Number of shares	56 114 378	56 114 378	-	-
XVI. Basic earning per share (in PLN / EUR)	-0,28	0.87	-0,07	0.21
XVII. Diluted earning per share (in PLN / EUR)	-0,28	0.87	-0,07	0.21
XVIII. Book value per share (in PLN / EUR)	4.36	4.57	1.05	1.10
XIX. Diluted book value per share (in PLN / EUR)	4.36	4.57	1.05	1.10
XX. Declared or paid dividend per share (in PLN / EUR)	0.08	-	0.02	-

*We provide balance sheet movement of cash flows taking into account movement of revaluation on account of exchange rate differences.

** In the case of balance sheet items, comparable data refer to the balance as at December 31, 2013, and in the case of other items, comparable data are the data for the 1st half of 2013

Additional information

to the separate interim financial statements of Ceramika Nowa Gala SA for the period from January 1, 2014 to June 30, 2014

1. The principles applied in preparation of the separate, interim semi-annual report

The published semi-annual separate, interim financial statements were prepared in accordance with IAS 34. The applied accounting principles are the same as those under which the financial statements for 2013 were prepared.

The present statements have been prepared based on the assumption that the company will carry out its activities in the foreseeable future. As at the date of its approval for publication, no circumstances indicating a threat to the company's continuation of activity were identified.

Separate, interim financial statements do not include all information and disclosures required in the annual separate financial statements and they should be read jointly with the separate annual financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2013.

2. The seasonal character of the issuer's business

Similarly to other sectors of the building industry, the sector of ceramic tiles may be characterized by a seasonal demand for the goods sold. The lowest demand is observed during winter months (first quarter and the last two months of the year) while the highest is observed in summer.

3. Impact of unusual events on the financial statements

- Charges on the financial result as a consequence of the production stoppages: PLN 3,532 thousand;
- Offsetting the remaining part of the dividend paid by the subsidiary Ceramika Nowa Gala II sp. z o.o. to the parent company (see point 8). The transaction influences separate financial statements only and is eliminated the consolidated financial statement.

4. Information on essential changes in provisions, including provisions and assets due to deferred income tax as well as write-downs on assets

- creating provisions for liabilities: PLN 3,803 thousand;
- utilizing provisions for liabilities: PLN 4,427 thousand;
- increasing provisions for deferred income tax: PLN 24 thousand;
- utilizing provisions for deferred income tax: PLN 199,000;
- increasing deferred income tax assets: PLN 301 thousand;
- utilizing assets due to deferred income tax: PLN 1,923 thousand;
- increasing the inventory write-down: PLN 107 thousand.

5. Business segments

In the 1st half of the year Ceramika Nowa Gala SA publishes consolidated financial statement. Therefore, the information on business segments is given only in relation to consolidated data.

6. Offsetting the remaining part of dividend from the subsidiary

On June 26, 2013 the ordinary shareholders meeting of the subsidiary Ceramika Nowa Gala II sp. z o.o., under the resolution no. 3, decided that the net profit of the company for 2012 in the amount of PLN 12,678,303.72 as well as the amount of PLN 32,791,458.09 originating from the reserve capital for payment of dividend will be used for payment of dividend for Ceramika Nowa Gala SA.

The dividend was paid in installments in the following manner:

- the amount of PLN 32,791,458.09 until June 30, 2013;
- the amount of PLN 12,678,303.72 – offset against other accounts was made on January 31, 2014.

7. Changes in off balance sheet items from the annual report for 2013

Changes in off balance sheet items have been made comparing to information published in the last consolidated annual report. With regard to the repayment of part of liabilities due to the contract signed with an Italian supplier, future liabilities resulting from the purchase of machines and equipment amounted to EUR 255 000 as of June 30, 2014. Contract to update existing version of Oracle EBS integrated management system results in future liabilities of PLN 217 000 (as of June 30, 2014).

8. Loan agreements concluded in the 1st half of 2014

Loan agreement with mBank SA

In order to purchase manufacturing equipment in January 2014 the company obtained an investment loan for 5 years in the amount of EUR 680 000 from mBank SA (formerly BRE Bank SA). The deadline for payment of the last installment falls on January 25, 2019. The loan shall be secured with a registered pledge on fixed assets that are financed by that loan.

Loan agreement with Bank Handlowy SA

The deadline for payment of overdraft line of credit granted to the company by Bank Handlowy SA in Warsaw was established on April 25, 2014. On April 25, 2014 Ceramika Nowa Gala SA signed a revolving credit facility agreement with a deadline for repayment until April 22, 2016 with the existing collateral and limit.

9. Loans and guarantees granted in the 1st half of 2014

Due to refinancing of the working capital facility by the subsidiary Ceramika Gres SA, Ceramika Nowa Gala SA granted a guarantee for the benefit of ING Bank Śląski SA on behalf of Ceramika Gres SA up to the amount of PLN 21,000 thousand. Simultaneously, the analogous guarantees granted for the benefit of Alior Bank SA expired.

In January 2014 Ceramika Nowa Gala SA increased the amount of the loan to CNG Luxembourg S.a.r.l. by EUR 60 thousand and extended the repayment date to March 31, 2015. Therefore, the current loan amount (excluding the accrued interest) is EUR 145 thousand.

10. Adoption of the resolution by the general meeting on dividend payment

On June 30, 2014 the general shareholders meeting, according to the resolution no. 7, decided to allocate part of the profit for 2013 in the amount of PLN 3,751,489.68 for dividend payment. This means that one share will equal PLN 0.08 of dividend. The right to dividend shall be established on September 30, 2014 while the dividend shall be paid on October 15, 2014. The dividend shall not include treasury shares.

11. Adoption of the resolution by the general meeting on redemption of treasury shares without compensation and decrease of the company's share capital

On June 30, 2014 the general meeting, under the resolution no. 14, decided to decrease the company's share capital from PLN 56,114,378 to PLN 46,893,621 by decreasing the number of shares from 56,114,378 shares to 46,893,621 shares by redemption of 9,220,757 shares. At the

same time the general shareholders meeting, under the resolution no. 13 of June 30, 2014, decided to redeem 9,220,757 treasury shares in total in the company's share capital. The redemption of 8,983,608 shares held by the subsidiary CNG Luxembourg S.a.r.l. shall be without any compensation and shall be performed upon the consent of the shareholder expressed in the agreement for the transfer of the ownership of shares which will be concluded outside the regulated market between the shareholder and the company. The objective of the redemption of 8,983,608 shares held by the subsidiary and 237,149 shares held by the issuer is to reorganize company shareholder structure and ensuring greater transparency and stability of the shareholder structure in the future, which is compliant with the company's interest.

12. The management board opinion on status of the financial projections for 2014

No projections regarding the year 2014 were published by the company.

13. Exceeding the scope of terms and conditions concerning selected financial ratios and resulting from credit agreements

Every loan to the group can be terminated by the bank before its maturity if certain conditions are met. Banks can terminate the loan, increase interest rates charged or demand additional collateral when any member of Ceramika Nowa Gala group violates terms of the loan agreement or when the company's situation worsens, threatening repayment of the loan.

As at the balance sheet date, the condition of achieving certain level of gross profit margin and net profit margin specified by the bank was not met in the case of the loans granted by BRE Bank SA to Ceramika Nowa Gala SA. Despite the failure to meet the above mentioned conditions the bank confirmed in writing that it does not intend to terminate any of the loans.

14. Important events after the balance sheet date and before the date of the publication of this report.

On August 6, 2014 the share capital of the subsidiary CNG Luxembourg S.a.r.l. was increased by EUR 200 000. The increase was fully paid in cash by the parent company Ceramika Nowa Gala SA.

Signatures

These statements were prepared and signed on **August 28, 2014**. It shall be published on September 1, 2014.

Management Board

Chief Accountant



**The semi-annual report on the activities
of the capital group in which the parent
company is**

Ceramika Nowa Gala SA

for the period between January 1, 2014 and June 30, 2014

Końskie, on August 28, 2014

1. Principles of preparation of the interim condensed consolidated financial statements and description of the organization of the company's capital group

The principles of preparation of the interim condensed consolidated financial statements and a description of the capital group were included in the additional notes to the interim condensed consolidated financial statements.

2. The management board opinion on status of the financial projections for 2014

No projections regarding the year 2014 were published by the company.

3. Shareholders holding at least 5% of the total number of votes at the general meeting, as at the date of submitting the consolidated quarterly report

According to the information available to the company, the following shareholders hold shares authorizing to at least 5% of votes at the General Meeting.

Shareholder	Number of shares taken up	Percentage share in the capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Piotrowski Waldemar	10 806 249	19,26%	10 806 249	19,26%
AMPLICO OFE (formerly AIG OFE)	9 852 365	17,56%	9 852 365	17,56%
CNG Luxembourg S.a.r.l. and Ceramika Nowa Gala SA*	9 220 757	16,43%	9 220 757	16,43%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5 650 000	10,07%	5 650 000	10,07%
Allianz Polska OFE	4 851 616	8,65%	4 851 616	8,65%
ING Otwarty Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny	2 955 018	5,27%	2 955 018	5,27%

* neither the issuer nor subsidiary have the right to vote with the treasury shares

Shareholders holding at least 5% of votes at the general meeting according to the consolidated quarterly report for the 1st quarter of 2014 published on May 15, 2014.

Shareholder	Number of shares taken up	Percentage share in the capital	Number of votes at the General Meeting	Percentage share in votes at the GM
Piotrowski Waldemar	10 806 249	19,26%	10 806 249	19,26%
APLICO OFE (formerly AIG OFE)	9 852 365	17,56%	9 852 365	17,56%
CNG Luxembourg S.a.r.l. and Ceramika Nowa Gala SA*	9 220 757	16,43%	9 220 757	16,43%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5 650 000	10,07%	5 650 000	10,07%
Allianz Polska OFE	4 851 616	8,65%	4 851 616	8,65%
ING Otwarty Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny	2 955 018	5,27%	2 955 018	5,27%

* neither the issuer nor subsidiary have the right to vote with the treasury shares

4. Statement of changes in the ownership of the company's shares or rights to shares of members of the company's executory and supervisory bodies

According to the information available to the company, during the period from the date of the last quarterly report to the date of the publication of this report no change in the company's shareholding was introduced by the members of the executory and supervisory bodies of the issuer. As at the date of publication of this report from the information available to the issuer it follows that:

- Mr. Waldemar Piotrowski acting as a President of the Management Board holds: 10,806,249 shares of the issuer representing 19.26% of the issuer's share capital and authorizing to the same number of votes at the general meeting;
- Mr. Paweł Górnicki acting as Vice-President of the Management Board holds: 352,077 shares of the issuer representing 0.62% of the issuer's share capital and authorizing to the same number of votes at the general meeting;
- Mr. Zbigniew Polakowski acting as a Proxy holds: 12,070 shares of the issuer representing 0.02% of the issuer's share capital authorizing to the same number of votes at the general meeting.

5. Information about proceedings to which the company or its subsidiary is a party, whose value represents at least 10% of the company's equity

There are no such proceedings.

6. Information on concluding by company or its subsidiary of one or more transactions with related entities, if they are individually or collectively significant and were concluded on terms other than market conditions

In the period covered by this report no transactions were concluded by the company or its subsidiaries with related entities, either individually or jointly, that would be significant and concluded on terms other than market conditions.

7. Information about granting by Ceramika Nowa Gala SA or its subsidiary a loan or credit sureties or about grating guarantees, the value of which is equivalent to at least 10% of equity of Ceramika Nowa Gala SA

Due to the refinancing of the working capital credit performed by a subsidiary (see point 7.2 for details), Ceramika Nowa Gala SA and Ceramika Nowa Gala II sp. z o.o. granted for the benefit of ING Bank Śląski SA the guarantees on behalf of Ceramika Gres SA to the amount of PLN 21,000 thousand and PLN 10,000 thousand respectively. Simultaneously, the analogous guarantees granted to Alior Bank SA expired.

In January 2014 Ceramika Nowa Gala SA increased the loan amount to the subsidiary CNG Luxembourg Sarlby EUR 60 000 and extended repayment date to March 31, 2015. Therefore, the current loan amount (excluding accrued interest) is EUR 145 000.

8. Factors which in the opinion of the company shall affect the results achieved by the capital group in at least the next six months.

Factors that in the nearest period may affect the financial results of the capital group include:

- exchange rate variability;
- uncertainty about the pace of economic development in the country, as well as on markets to which the group exports its products;
- uncertainty due to the conflict in Ukraine;
- sales development of new product series;
- increase in the cost of the purchasing certain raw materials;
- seasonal recovery in sales in the 3rd quarter of the year.

In the case of the parent company, there were no circumstances that could have an impact on the assessment of its financial position and were not disclosed in these financial statements.

Signatures

These statements were prepared and signed on **August 28, 2014**. They shall be published on September 1, 2014.

Management Board

Chief Accountant