



Consolidated interim financial statements of

Ceramika Nowa Gala SA

for the period of 1 January – 30 September 2016

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 2016

Consolidated statement of profit and loss and other comprehensive income

for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN '000)

	Q3 2016	3 quarters of 2016	Q3 2015	3 quarters of 2015
Revenue	47,820	133,917	50,221	142,281
Cost of sales	33,327	99,086	39,297	108,336
Gross profit	14,493	34,831	10,924	33,945
Other income	11	-38	283	880
Selling and administrative expenses	10,322	31,191	9,894	30,544
Other expenses	751	1,207	576	1,715
Profit before interest and tax	3,431	2,395	737	2,566
Finance income	-189	15	-64	332
Finance expenses	365	1,280	281	1,178
Share in profits of associates and joint ventures	-	-	-	-
Profit from continued operations before tax	2,877	1,130	392	1,720
Income tax expense	550	617	126	-176
Profit from continued operations after tax	2,327	513	266	1,896
Profit from discontinued operations after tax	-	-	-	-
Net profit/(loss)	2,327	513	266	1,896
Other comprehensive income that may be transferred to the profit in the future				
Exchange rate differences from translation	3	1	-	-3
Other comprehensive income that may not be transferred to the profit in the future				
Cost of buyback of treasury shares	-	-	-	-
Total comprehensive income	2,330	514	266	1,893
Net profit attributable to				
shareholders of the parent company	2,327	513	266	1,896
non-controlling interests	-	-	-	-
	2,327	513	266	1,896
Total comprehensive income attributable to				
shareholders of the parent company	2,330	514	266	1,893
non-controlling interests	-	-	-	-
	2,330	514	266	1,893

	Unit	12 months until 30 September 2016	12 months until 30 September 2015
Annualized profit/(loss)	PLN thousand	-1,031	-1,553
Weighted average number of shares	thousand pcs	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.02	-0.03
Weighted average diluted number of shares	thousand pcs	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.02	-0.03

Consolidated statement of financial position as at 30 September 2016

Amounts in PLN thousand (PLN '000)

Assets	30.09.2016	31.12.2015
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	3,408	3,904
Property, plant and equipment	96,968	101,904
Investment property	7,550	7,550
Other financial assets	145	145
Deferred tax assets	10,575	11,081
Total non-current assets	137,497	143,435
Current assets		
Inventory	68,857	84,938
Trade and other receivables	39,052	37,306
Receivables from current income tax	-	343
Cash and cash equivalents	11,507	9,894
Other current assets	721	398
Total current assets	120,137	132,879
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	257,634	276,314

(continued on the next page)

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

Amounts in PLN thousand (PLN `000)

Equity and liabilities	30.09.2016	31.12.2015
Equity		
Share capital	46,894	46,894
Reserves	136,034	125,274
Revaluation reserve	-	-
Exchange rate differences from translation	6	5
Other reserves	8,719	8,719
Treasury shares	-	-
Retained earnings	500	15,437
Equity attributable to shareholders of the parent company	192,153	196,329
Non-controlling interests	-	-
Total equity	192,153	196,329
Non-current liabilities		
Borrowings	1,018	31,508
Provision for deferred income tax	5,571	6,090
Provision for employee benefits	24	24
Total non-current liabilities	6,613	37,622
Current liabilities		
Trade and other payables	22,672	26,360
Current tax liability	455	13
Borrowings	24,992	4,245
Recourse factoring liability	1,486	1,309
Provision for employee benefits	1,242	1,889
Other provisions	8,021	8,547
Total current liabilities	58,868	42,363
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	65,481	79,985
Total equity and liabilities	257,634	276,314
Book value (in PLN thousand)	192,153	196,329
Number of shares (in thousand pcs)	46,894	46,894
Book value per share (in PLN)	4.10	4.28
Diluted number of shares (in thousand pcs)	46,894	46,894
Diluted book value per share (in PLN)	4.10	4.28

Consolidated cash flow statement

for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN '000)

	3 quarters of 2016	3 quarters of 2015
<u>Operating activities</u>		
Net profit/(loss)	513	1,896
Amortization and depreciation	10,365	10,347
Interest revenue and expenses	961	1,059
Exchange rate gains/(losses)	13	337
Gain/(loss) on disposal of intangible and tangible non-current assets	21	122
Movement of provisions, write-downs, prepayments and accruals	-1,496	-152
Income tax expense	617	-176
Other adjustments	-1	3
Cash flow from operations before movements of working capital	10,993	13,436
Movement of inventory	16,078	5,547
Movement of receivables	-259	-6,132
Movement of liabilities	-5,721	8,948
Cash flow from operations before tax	21,091	21,799
Interest received from operating activities	2	24
Interest paid on operating activities	-2	-4
Income tax paid	-159	-302
Net cash flows from operating activities	20,932	21,517
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	51	62
Purchase of tangible and intangible non-current assets	-4,143	-4,787
Net cash from investing activities	-4,092	-4,725

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Consolidated cash flow statement for the period of 1 January – 30 September 2016 (contd.)

Amounts in PLN thousand (PLN `000)

	3 quarters of 2016	3 quarters of 2015
Financing activities		
Proceeds from borrowings	-	1,133
Proceeds from factoring*	177	1,722
Dividends to shareholders of the parent company	-4,689	-4,689
Repayment of borrowings	-9,771	-18,222
Repayment of factoring liabilities*	-	-
Interest paid pertaining to financing activities	-961	-1,094
Net cash from financing activities	-15,244	-21,150
Net cash from financing activities		
	1,596	-4,358
Cash and cash equivalents at the beginning of the period	9,894	13,206
Exchange rate differences	17	-336
Cash and cash equivalents at the end of the period	11,507	8,512
Structure of cash and cash equivalents:		
Unrestricted cash	11,336	6,255
Restricted cash	171	2,257**
	11,507	8,512

*pertains to a recourse factoring agreement concluded by a subsidiary

** PLN 1,986 thousand pertains to cash held by Energia Park Trzemoszna under a loan granted to this company by Ceramika Nowa Gala II Sp. z o.o. subsidiary company

Consolidated statement of changes in equity for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN '000)

	Attributable to shareholders of the parent company							Total	Non-controlling interests	Total equity
	Share capital	Reserves	Exchange rate differences from translation	Other reserves	Revaluation reserve	Treasury shares	Retained earnings			
As at 1 January 2015	46,894	131,770	8	8,719	-	-	13,278	200,669	-	200,669
Total comprehensive income*	-	-	-3	-	-	-	1,896	1,893	-	1,893
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-1,807	-	-	-	-	1,807	-	-	-
Payment of dividend	-	-4,689	-	-	-	-	-	-4,689	-	-4,689
Purchase of shares	-	-	-	-	-	-	-	-	-	-
As at 30 September 2015	46,894	125,274	5	8,719	-	-	16,981	197,873	-	197,873
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	-	-4,689	-	-	-	-	-4,690	-4,690	-	-4,690
Purchase of shares	-	-	-	-	-	-	-	-	-	-
As at 30 September 2016	46,894	136,034	6	8,719	-	-	500	192,153	-	192,153

After 3 quarters of 2016, the amount of total income accounts for: net profit in the amount of PLN 514 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 minus) which was recognized in the item 'foreign exchange differences from translation'. After 3 quarters of 2015, the amount of total income accounts for: net profit in the amount of PLN 1,893 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 3 thousand (in minus) 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: 4.2615 PLN/EUR as at 31 December 2015 and 4.3120 PLN/EUR as at 30 September 2016;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, were used: 4.1585 PLN/EUR in three quarters of 2015; 4.3688 PLN/EUR in three quarters of 2016.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.9011 PLN/USD as at 31 December 2015 and 3.8558 PLN/USD as at 30 September 2016.

Consolidated data	in PLN thousand		in EUR thousand	
	3 quarters of 2016	2015 (comparable data)**	3 quarters of 2016	2015 (comparable data)**
I. Revenue	133,917	142,281	30,653	34 215
II. Profit/(loss) from operating activities	2,395	2,566	548	617
III. Profit/(loss) before tax	1,130	1,720	259	414
IV. Net profit/(loss)	513	1,896	117	456
V. Net cash flows from operating activities	20,932	21,517	4,791	5 174
VI. Net cash flows from investing activities	-4,092	-4,725	-937	-1 136
VII. Net cash flows from financing activities	-15,244	-21,150	-3,489	-5 086
VIII. Net cash flows (total)*	1,613	-4,694	369	-1 129
IX. Total assets	257,634	276,314	59,748	64 840
X. Liabilities and provisions for liabilities	65,481	79,985	15,186	18 769
XI. Non-current liabilities	6,613	37,622	1,534	8 828
XII. Current liabilities	58,868	42,363	13,652	9 941
XIII. Equity	192,153	196,329	44,562	46 070
XIV. Share capital	46,894	46,894	10,875	11 004
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.02	-0.03	-0.01	-0.01
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.02	-0.03	-0.01	-0.01
XVIII. Book value per share (in PLN/EUR)	4.10	4.28	0.95	1.00
XIX. Diluted book value per share (in PLN/EUR)	4.10	4.28	0.95	1.00
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

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

**In the case of off-balance sheet items, comparable data relate to the balance as at 31 December 2015, while in the case of the other items, comparable data relate to 3 quarters of 2015.

Separate statement of profit and loss and other comprehensive income

for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN '000)

	Q3 2016	3 quarters of 2016	Q3 2015	3 quarters of 2015
Revenue	37,663	104,969	38,909	113,359
Cost of sales	31,605	89,205	34,138	100,320
Gross profit	6,058	15,764	4,771	13,039
Other income	7	20	-1	33
Selling and administrative expenses	6,110	18,514	5,702	17,531
Other expenses	170	469	116	393
Profit before interest and tax	-215	-3,199	-1,048	-4,852
Finance income	54	1,111	-82	16,234
Finance expenses	52	404	30	250
Profit from continued operations before tax	-213	-2,492	-1,160	11,132
Income tax expense	7	-362	-209	-793
Profit from continued operations after tax	-220	-2,130	-951	11,925
Profit from discontinued operations after tax	-	-	-	-
Net profit/(loss)	-220	-2,130	-951	11,925
Other comprehensive income				
None				
Total comprehensive income	-220	-2,130	-951	11,925

	Unit	12 months until 30 September 2016	12 months until 30 September 2015
Annualized profit/(loss)	PLN thousand	-5,127	18,431
Weighted average number of shares	thousand pcs	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.11	0.39
Weighted average diluted number of shares	thousand pcs	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.11	0.39

Separate statement of financial position

as at 30 September 2016

Amounts in PLN thousand (PLN '000)

Assets	30.09.2016	31.12.2015
Non-current assets		
Intangible assets	360	420
Property, plant and equipment	38,740	41,474
Investments in related parties	78,094	77,944
Other financial assets	121	121
Deferred tax assets	6,815	7,046
Total non-current assets	124,130	127,005
Current assets		
Inventory	54,284	61,443
Trade and other receivables	26,549	42,931
Receivables from current income tax	-	-
Loans granted to subsidiaries	214	116
Other financial assets	-	-
Cash and cash equivalents	6,313	2,603
Other current assets	388	155
Total current assets	87,748	107,248
Fixed assets classified as held for sale in accordance with IFRS 5	-	-
Total assets	211,878	234,253

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

Amounts in PLN thousand (PLN '000)

Equity and liabilities	30.09.2016	31.12.2015	
Equity			
Share capital	46,894	46,894	
Reserves	137,475	133,237	
Revaluation reserve	-	-	
Other reserves	-	-	
Treasury shares	-	-	
Retained earnings	-2,130	8,927	
Total equity	182,239	189,058	
Non-current liabilities			
Borrowings	1,018	5,613	
Provision for deferred income tax	3,573	4,165	
Provision for employee benefits	-	-	
Other provisions	-	-	
Total non-current liabilities	4,591	9,778	
Current liabilities			
Trade and other payables	14,178	23,681	
Current tax liability	-	-	
Borrowings	4,566	4,245	
Provision for employee benefits	834	1,483	
Other provisions	5,470	6,008	
Total current liabilities	25,048	35,417	
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-	
Total liabilities	29,639	45,195	
Total equity and liabilities	211,878	234,253	
	Unit	30.09.2016	31.12.2015
Book value	PLN thousand	182,239	189,058
Number of shares	thousand pcs	46,894	46,894
Book value per share	PLN thousand	3.89	4.03
Diluted number of shares	thousand pcs	46,894	46,894
Diluted book value per share	PLN	3.89	4.03

Separate cash flow statement

for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN `000)

	3 quarters of 2016	3 quarters of 2015
<u>Operating activities</u>		
Net profit/(loss)	-2,130	11,925
Amortization and depreciation	5,846	5,819
Dividend income	-952	-16,010
Interest revenue and expenses	66	57
Exchange rate gains/(losses)	27	96
Gain/(loss) on disposal of intangible and tangible non-current assets	84	61
Movement of provisions, write-downs, prepayments and accruals	-1,421	-253
Income tax expense	-362	-793
Other adjustments	-	-
Cash flow from operations before movements of working capital	1,158	902
Movement of inventory	7,158	1,357
Movement of receivables	2,401	-3,507
Movement of liabilities	2,428	9,095
Cash flow from operations before tax	13,145	7,847
Interest received from operating activities	-	24
Interest paid on operating activities	-2	-4
Income tax paid	-	-85
Net cash flows from operating activities	13,143	7,782
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	16	54
Dividends received	2,169	
Purchase of tangible and intangible non-current assets	-2,316	-1,549
Loans granted	-88	-
Purchase of financial assets	-	-
Net cash from investing activities	-219	-1,495

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Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN '000)

	3 quarters of 2016	3 quarters of 2015
Financing activities		
Proceeds from borrowings	-	1,133
Dividends to shareholders	-4,689	-4,689
Repayment of borrowings	-4,303	-6,611
Interest paid pertaining to financing activities	-225	-241
Net cash from financing activities	-9,217	-10,408
Net cash from financing activities		
	3,707	-4,121
Cash and cash equivalents at the beginning of the period	2,603	6,591
Exchange rate differences	3	-95
Cash and cash equivalents at the end of the period	6,313	2,375
Structure of cash and cash equivalents:		
Unrestricted cash	6,191	2,210
Restricted cash	122	165
	6,313	2,375

Separate statement of changes in equity for the period of 1 January – 30 September 2016

Amounts in PLN thousand (PLN '000)

	Share capital	Reserves	Other reserves	Revaluation reserve	Treasury shares	Retained earnings	Total equity
As at 1 January 2015	46,894	139,786	-	-	-	-1,859	184,821
Total comprehensive income*	-	-	-	-	-	11,925	11,925
Coverage of loss from previous years	-	-1,859	-	-	-	1,859	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Payment of dividend	-	-4,690	-	-	-	-	-4,690
Purchase of shares	-	-	-	-	-	-	-
As at 30 September 2015	46,894	133,237	-	-	-	11,925	192,056
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	-
Purchase of shares	-	-	-	-	-	-	-
As at 30 September 2016	46,894	-	-	-	-	-	-

*After 3 quarters of 2016, the amount of total comprehensive income was: net loss of PLN 2,130 thousand which decreased the amount of retained earnings. After 3 quarters of 2015, the amount of total comprehensive income was: net profit in the amount of PLN 11,925 thousand which increased 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: 4.2615 PLN/EUR as at 31 December 2015 and 4.3120 PLN/EUR as at 30 September 2016;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, were used: 4.1585 PLN/EUR in three quarters of 2015; 4.3688 PLN/EUR in three quarters of 2016.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.9011 PLN/USD as at 31 December 2015 and 3.8558 PLN/USD as at 30 September 2016.

Separate data	in PLN thousand		in EUR thousand	
	3 quarters of 2016	2015 (comparable data)**	3 quarters of 2016	2015 (comparable data)**
I. Revenue	104,969	113,359	24,027	27,260
II. Profit/(loss) from operating activities	-3,199	-4,852	-732	-1,167
III. Profit/(loss) before tax	-2,492	11,132	-570	2,677
IV. Net profit/(loss)	-2,130	11,925	-488	2,868
V. Net cash flows from operating activities	13,143	7,782	3,008	1,871
VI. Net cash flows from investing activities	-219	-1,495	-50	-360
VII. Net cash flows from financing activities	-9,217	-10,408	-2,110	-2,503
VIII. Net cash flows (total)*	3,710	-4,216	849	-1,014
IX. Total assets	211,878	234,253	49,137	54,970
X. Liabilities and provisions for liabilities	29,639	45,195	6,874	10,605
XI. Non-current liabilities	4,591	9,778	1,065	2,294
XII. Current liabilities	25,048	35,417	5,809	8,311
XIII. Equity	182,239	189,058	42,263	44,364
XIV. Share capital	46,894	46,894	10,875	11,004
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.11	0.39	-0.03	0.09
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.11	0.39	-0.03	0.09
XVIII. Book value per share (in PLN/EUR)	3.89	4.03	0.90	0.95
XIX. Diluted book value per share (in PLN/EUR)	3.89	4.03	0.90	0.95
XX. Declared or paid dividend per share (in PLN/EUR)	0.1	0.1	0.02	0.02

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

**In the case of off-balance sheet items, comparable data relate to the balance as at 31 December 2015, while in the case of the other items, comparable data relate to 3 quarters of 2015.

Additional Information

to the consolidated quarterly report for three quarters of 2016 prepared by the group of companies for which Ceramika Nowa Gala SA is a parent company, comprising the condensed separate quarterly financial statements of the parent company

1. 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. a company controlled by the subsidiaries.

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

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 2015.

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

These condensed consolidated interim financial statements do not contain all information and disclosures which are required to be included in the 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 2015, prepared in accordance with IFRSs.

2. Seasonal character of the Issuer's business

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

3. Impact of unusual events on the financial statements

- Lower profit due to incomplete utilization of production capacities: PLN 9,532 thousand. In the comparable period of 2015, profit was lower for the same reason by PLN 7,098 thousand. The increase results from a decrease in production caused by a reduction of finished products inventories.
- Dividends paid to shareholders of the parent company (see section **Błąd! Nie można odnaleźć źródła odwołania.**): PLN 4,689 thousand.

- Entering into a non-recourse factoring agreement by the parent company – a decrease in the value of receivables for this account of PLN 4,557 thousand (see section **Błąd! Nie można odnaleźć źródła odwołania.**).

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

- creating a provision for liabilities: PLN 9,479 thousand;
- utilizing the provision for liabilities: PLN 10,448 thousand;
- increasing the provision for deferred income tax: PLN 476 thousand;
- utilizing the provision for deferred income tax: PLN 721 thousand;
- increasing deferred income tax assets: PLN 1,982 thousand;
- utilizing deferred income tax assets: PLN 2,502 thousand;
- write-downs on inventories subject to periodic sell-off: PLN 477 thousand.

5. Business segments

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

5.1. Information on geographic segments

Amounts in PLN thousand (PLN '000)

	DOMESTIC		EXPORTS		TOTAL	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenue	38,605	42,784	9,215	7,437	47,820	50,221
Cost of sales	25,197	28,470	6,045	5,341	31,242	33,811
Sales result	13,408	14,314	3,170	2,096	16,578	16,410
Unallocated costs					2,085	5,486
Gross profit					14,493	10,924

	DOMESTIC		EXPORTS		TOTAL	
	3 quarters of 2016	3 quarters of 2015	3 quarters of 2016	3 quarters of 2015	3 quarters of 2016	3 quarters of 2015
Revenue	109,444	119,664	24,473	22,617	133,917	142,281
Cost of sales	71,812	82,053	17,118	16,288	88,930	98,341
Sales result	37,632	37,611	7,355	6,329	44,987	43,940
Unallocated costs					10,156	9,995
Gross profit					34,831	33,945

Assets	DOMESTIC		EXPORTS		TOTAL	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Trade receivables	29,954	30,325	7,281	5,248	37,235	35,573
Other receivables					1,817	1,733

(unallocated)

39,052 37,306

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

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

5.2. Information on product segments

The Group specializes in the production of ceramic stoneware tiles and supplementary elements, sold within one joint offer. The remaining sales are marginal and concern raw materials or services.

Amounts in PLN thousand (PLN '000)

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenue from sales to external customers	47,773	49,904	47	317	47,820	50,221
Purchase of fixed assets	814	565	-	-	814	565

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	3 quarters of 2016	3 quarters of 2015	3 quarters of 2016	3 quarters of 2015	3 quarters of 2016	3 quarters of 2015
Revenue from sales to external customers	133,752	141,709	165	572	133,917	142,281
Purchase of fixed assets	5,465	4,137	-	-	5,465	4,137

5.3. Information on significant customers

Within three quarters of 2016, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

6. Loan agreements concluded within three quarters of 2016

On 22 April 2016, the Company was supposed to repay a working credit facility granted to it by Bank Handlowy SA. The Company resolved to repay it in total and not to revolve this bank facility. The deadline for repayment of another loan, namely the overdraft line of credit in the amount of PLN 9.000 thousand granted to the Company by Bank Pekao SA, fell on 30 September 2016. On 29 September 2016, the Company signed an annex to the loan agreement which extended the deadline for payment to 30 September 2018, while maintaining the existing collateral and the loan amount.

7. Factoring agreement concluded by the parent company with mFactoring SA

On 5 August 2016, Ceramika Nowa Gala SA and mFactoring SA, based in Warsaw, concluded a non-recourse factoring agreement based on an insurance policy of the companies of the Group. The factoring limit is PLN 25,000 thousand. The limit will be used depending on the amount of discounted invoices. (See the Company's Current Report 14/2016).

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

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

There were changes in off-balance sheet items relative to the information disclosed in the last consolidated annual report. The liability regarding the purchase of plant and equipment was satisfied in total. As at the balance sheet date, the amount which decreased the amount of receivables paid by the factor (non-recourse factoring - see section **Błąd! Nie można odnaleźć źródła odwołania.**) was PLN 4,557.

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

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

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

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

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

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

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

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

13. Dividends paid to shareholders of the parent company

On 22 June 2016, the General Meeting of Shareholders resolved to allocate PLN 4,689,362.10 – part of the profit generated in 2015 – towards dividend payment. The dividend amount per share was PLN 0.10. The record date was set for 12 August 2016, while the payment was effected on 30 August 2016.

14. Payment of dividend to Ceramika Nowa Gala SA subsidiary

On 22 June 2016, the Annual General Meeting of Shareholders of Ceramika Gres SA decided, by way of Resolution No. 5/2016, that part of the net profit of that company for 2015, in the amount of PLN 951,810.43, would be allocated for the payment of a dividend for the parent company, i.e. Ceramika Nowa Gala SA. The dividend was paid in September 2016.

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

No significant events occurred after the balance sheet date.

16. Position of the Management Board concerning the accomplishment of financial forecasts for 2016

The Company did not publish any forecasts for 2016.

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

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

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife 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%

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

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

18. 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.

19. 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.

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

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

21. 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

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

22. 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

In accordance with the Group's strategy published earlier, the Issuer was systematically seeking to reduce the amount of its net debt. Within nine months, this amount was reduced to PLN 11 million. This was largely due to better effectiveness of current asset management, especially as regards inventory. The reduction of the value of inventory held amounted to PLN 16 million. Moreover, entering into a non-recourse factoring agreement allowed for reducing the amount of receivables held by the Company by PLN 4.5 million. Reducing the value of inventories implied, however, the need for a greater reduction of production, which translated into worse operating performance of the Group.

Within nine months of 2016, the Group recorded a 6% decrease in revenue compared to the same period of the previous year, which was due to, among other things, a decline in the volume of construction output sold. Despite a decline in sales and a decrease in the Company's profit as a

result of reduced inventories, by reducing costs the Company managed to achieve results which are not significantly lower than those generated a year ago.

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

23.1. New term of office of the Issuer's Supervisory Board and Management Board

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

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

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

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

23.2. Rules for non-recourse factoring valuation

The non-recourse factoring agreement referred to in section **Błąd! Nie można odnaleźć źródła odwołania.** provides for transferring to the factor the liquidity risk with respect to 90% of the amount of invoices to be discounted, whereby the risk of the counterparty's insolvency is taken over by an insurance company (also with respect to 90% of amounts concerned). Therefore, only 10% of the amount of receivables indicated in invoices to be discounted is accounted for in the balance sheet. The Company has an off-balance sheet (due to very low likelihood) commitment to satisfy the factor in case the insurance company refuses to pay compensation for the invoice to be discounted.

24. 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:

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