



**Statement of Corporate Governance
Practices in 2014**

Ceramika Nowa Gala SA

Końskie, 19 March 2015

1. SET OF CORPORATE GOVERNANCE PRINCIPLES ADOPTED BY CERAMIKA NOWA GALA SA

Ceramika Nowa Gala SA has adopted corporate governance principles published in "Code of Best Practices for WSE Listed Companies", the complete text of which is posted at <http://www.corp-gov.gpw.pl/>.

2. PROVISIONS OF THE SET OF CORPORATE GOVERNANCE PRINCIPLES WHICH WERE NOT COMPLIED WITH

In 2014, the Issuer did not adhere to the following recommendations and rules arising from the set of "Code of Best Practices for WSE Listed Companies":

- the recommendation to ensure a balanced proportion of women and men in management and supervisory functions. This is due to the fact that management and supervisory functions were entrusted to persons with relevant knowledge and experience, regardless of their gender. Furthermore, the composition of these bodies is dependent on the shareholders of the Company, thus it cannot be ruled out that this recommendation will be followed in the future;
- the recommendation for the company to enable its shareholders to exercise the right to vote at a General Meeting either in person or by a proxy, outside the venue of the General Meeting, by means of electronic communications and in accordance with the principles set out in Section II, paragraph 1(9a) and Section IV subparagraph 10 of "Code of Best Practices for WSE Listed Companies" concerning posting on the issuer's website audio or video recordings of the General Meeting, and to enable shareholders to participate in the General Meeting by means of electronic communications involving real-time broadcast of the General Meeting and two-way real time communication where shareholders may speak during the General Meeting from a location other than the venue of the General Meeting. All relevant information regarding the convening and conduct of a General Meeting is published by the Company in the form of current reports, as well as via posts available on its website. Therefore, in order to provide shareholders with required information concerning the General Meeting it is not necessary to broadcast the General Meeting and then post the recordings on the website. Moreover, complying with this principle would imply costs to be incurred by the Issuer. At the same time, the Management Board of the Issuer monitors on an ongoing basis the shareholding structure and the need to communicate with the Company and convene a General Meeting expressed by its shareholders, though it does not, however, rule out the introduction in the future of a technology enabling broadcast of a General Meeting over the Internet, two-way real time communication and the opportunity to exercise the right to vote at such a General Meeting in person or by a proxy;
- the principle set out in Section II paragraph 1(7) of "Code of Best Practices for WSE Listed Companies" concerning the posting on the website of shareholders' questions relating to issues on the agenda, submitted before and during a General Meeting, along with answers to those questions. The Issuer does not maintain a detailed record of the proceedings of General Meetings. Information relating to the conduct of a General Meeting is provided in notary minutes of the Meeting. This document does not contain, however, all the questions asked during a General Meeting and answers to those questions;
- the recommendation concerning a remuneration policy accounting for the European Commission's recommendations. Ceramika Nowa Gala SA has no formal rules governing its remuneration policy or principles to be followed in establishing such a policy. Salaries of members of the managing and supervisory bodies the Company are determined according to the scope of performed tasks, duties related to their functions and their professional experience. Remuneration of members of the Management Board under their employment contracts shall be approved by the Supervisory Board of the Issuer. As regards members of the Supervisory Board, their remuneration shall be determined by the General Meeting;
- the Company has no official document concerning the rules governing change of the entity authorized to audit its financial statements, referred to in Section II paragraph 1(14) of "Code of Best Practices for WSE Listed Companies". An entity which is to audit the financial

statements of the companies in the Ceramika Nowa Gala Group is selected by the audit committee at the Supervisory Board, based on the quality of services, expertise and reputation of the auditor;

- the principle set out in Section II subparagraph 2 of "Code of Best Practices for WSE Listed Companies" requiring to ensure that the website is available in English, at least to the extent specified in Section II subparagraph 1 of that document. Failure to comply with this principle does not limit the access to information for the existing and future shareholders of the Issuer, as the Company pursues an active policy involving contacts with analysts and investors, including foreign ones. Since July 2014, the Company has been running its investor relations webpage in English, to the extent required by the Liquidity Support Program, joined by it in June 2014. The Issuer does not rule out a gradual expansion of the scope of this webpage for subsequent subparagraphs set out in Section II paragraph 1 of "Code of Best Practices for WSE Listed Companies".

3. DESCRIPTION OF THE MAIN FEATURES OF SYSTEMS FOR INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS BY THE ISSUER

Ceramika Nowa Gala has a tailor-made internal control system which allows for efficient and reliable flow of financial and non-financial information between the various organizational units of the Company. The system provides for effective information management, which also contributes to the improvement of the processes related to the preparation of financial statements.

The effectiveness of the Company's internal control system and the risk management system in the financial reporting process is ensured by:

- a uniform accounting policy for the companies in the Group;
- labor regulations;
- rules for handling confidential information;
- instructions, regulations and procedures within the Group;
- standards regarding material liability for property entrusted to employees;
- stocktaking instructions.

The Company has developed sound financial reporting principles. Each year, a detailed budget is prepared for the Company. This process is supervised directly by the Management Board and involves the directors of the various departments. Then, the budget is subject to approval of the Supervisory Board.

During the year, the Company analyses the current financial performance, comparing it against the previously adopted budget. This process is carried out in accordance with the Company's management reporting principles developed based on the adopted accounting policy (the Company prepares its financial statements in accordance with International Financial Reporting Standards). Preparation of financial statements, interim financial reporting and ongoing management reporting of the Company are the tasks of the finance and accounting department headed by the Chief Accountant, Deputy Chief Financial Officer. Financial statements of the Company are prepared by highly qualified teams of employees.

In accordance with applicable law, the Company's financial statements are reviewed or audited by an independent, highly qualified certified auditor. Many of the internal control procedures are supported by an integrated IT system for business management.

4. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY QUALIFYING HOLDINGS

According to the information obtained by the company, the following shareholders hold shares authorizing them to at least 5% of votes at the General Shareholders Meeting. This information was

determined based on communications received by the Company from shareholders or based on the number of shares from which a given shareholder was entitled to dividend payment.

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otwarty Fundusz Emerytalny	9,356,722	19.95%	9,356,722	19.95%
PTE Allianz Polska SA	6,049,157	12.90%	6,049,157	12.90%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,834,364	12.44%	5,834,364	12.44%
ING Otwarty Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny	3,293,725	7.02%	3,293,725	7.02%

There are no securities conferring special control right with respect to the Company. Shares of the Company bear no restrictions as to the transfer of property rights or limitations on the exercise of voting rights.

5. DESCRIPTION OF THE RULES FOR APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR POWERS

MANAGEMENT BOARD

The Management Board of the Issuer may consist of from two to five members appointed for a joint three-year term of office. The number of members of the Management Board shall be determined by the Supervisory Board. Members of the Management Board, including its President, are appointed and dismissed by the Supervisory Board.

The Management Board, chaired by its President, manages the Company and represents it externally. Joint action of two members of the Management Board or one member of the Management Board and a proxy shall be required to make declarations of will and sign documents on behalf of the Company. The Supervisory Board represents the Company with respect to all agreements concluded by it with members of the Management Board and all disputes which may arise between them and the Company.

Resolutions of the Management Board are passed by an absolute majority of votes cast by members of the Management Board present at its meeting. The Management Board operates under the rules and regulations adopted by the Management Board and approved by the Supervisory Board.

In accordance with the Rules and Regulations of the Management Board, the following types of decisions taken by the Board shall require a resolution to be passed:

- decisions regarding organizational regulations defining the organization of the business of the Company;
- decisions on granting the power of attorney and revoking it;
- decisions as regards contracting borrowings and loans;
- decisions regarding the sale and purchase of fixed assets with a value exceeding the equivalent of PLN 100,000;
- decisions on the scope of the Company's ordinary activities carried out by a member of the Management Board, where at least one member of the Management Board objects to their performance before they are carried out;
- decisions concerning accession by the Company to joint ventures and, in particular, formation of or accession to commercial companies and the acquisition of shares of those companies;

- decisions regarding consent to make donations, grant loans or award grants, with the exception of the Social Fund, where the amount is in excess of PLN 1,000;
- decisions concerning the preparation and presentation of financial statements for the financial year and a written report on the activities of the Company to be approved at the Annual General Meeting;
- decisions regarding proposals concerning distribution of profit or coverage of loss;
- decisions as regards the determination of the development strategy of the Company;
- decisions regarding staffing of managerial positions reporting directly to the Management Board or individual members of the Management Board, based on the recommendation of a member of the Board supervising a given division;
- decisions on the Rules and Regulations of the Management Board, labor regulations and other regulations concerning the operation of the Company's business;
- decisions concerning the adoption of annual and multi-annual programs and plans regarding the Company's activities;
- decisions concerning the development of the employment policy (the number of employees and the employment structure) and collective redundancies;
- decisions as regards determination of the remuneration of the Company's employees;
- decisions regarding legal actions, where the subject matter of such actions is in excess of PLN 100,000;
- decisions concerning other matters within the competence of the Company's Management Board, as long as the Board deems their examination in this mode to be well-founded.

SUPERVISORY BOARD

The number of members of the Supervisory Board is determined in the Issuer's Articles of Associations. Members of the Supervisory Board are elected by the General Meeting for a joint three-year term of office. The Supervisory Board shall elect from among its members a chairman, vice chairman and secretary.

Resolutions of the Supervisory Board are passed by an absolute majority of votes, in the presence of at least half of its members, including the Chairman or Vice Chairman. In case of a tie, the Chairman's vote is decisive. For resolutions of the Supervisory Board to be valid, it is required to invite at its meeting all members of the Supervisory Board. The Supervisory Board may adopt resolutions in writing or using means of direct remote communication, whereby all its members must be informed of the contents of the draft resolution, subject to Article 388(4) of the Commercial Companies Code.

In accordance with its Rules and Regulations, the Supervisory Board shall perform its duties collectively, and its members may exercise individually supervisory rights only under a relevant resolution of the Supervisory Board.

The powers of the Supervisory Board include, in particular:

- audit of the financial statements of the Company;
- audit of the report of the Management Board and its proposals concerning profit distribution and loss coverage;
- providing the General Meeting with written reports on the results of the operations referred to in subparagraphs (a) and (b) and proposals as regards granting exoneration to the members of the Management Board;
- appointing and dismissing members of the Management Board;
- suspending a member or the Management Board for important reasons;
- delegating a member or members of the Management Board to temporarily perform the duties of Management Board members who are unable to perform their duties;
- approving the Rules and Regulations of the Company's Management Board;
- giving consent to a member of the Management Board to engage in business competitive to that of the Company, as well as their participation in competitive companies as a partner or a member of the managing or supervisory bodies of such a company;
- determining remuneration of the Management Board;

- selecting a certified auditor;
- determining the consolidated text of the Company's Articles of Association;
- adopting the Rules and Regulations of the Supervisory Board;
- expressing consent for the Company to incur liabilities or dispose of rights of a value exceeding in transactions with a single entity PLN 5,000,000, at a time or during the financial year, unless the liability or disposition of the rights is due to the ongoing business activities of the Company;
- expressing consent for the Company to contract borrowings or loans and grant sureties or guarantees in excess of PLN 5,000,000 in transactions with a single entity, at a time or in total during the financial year;
- approving the sale or purchase of real property, perpetual usufruct or interest in real property by the Company'
- approving multi-annual and annual action plans of the Company;
- approving the purchase or sale of shares by the Company.

In accordance with the Rules and Regulations of the Supervisory Board, its powers include also:

- entering into agreements between the Company and members of the Management Board;
- determining the number of members of the Management Board.

Pursuant to the Articles of Association, the Supervisory Board shall be composed of 5 members, thus (taking into account the scale of the Company's business) there is no need to appoint separate committees within the Supervisory Board. The functions of the audit committee shall be performed by the Supervisory Board collectively.

6. DESCRIPTION OF THE RULES GOVERNING AMENDMENTS TO THE ISSUER'S ARTICLES OF ASSOCIATION

For an amendment to the Articles of Association to be valid, a resolution of the General Meeting passed by a majority of three-fourths of votes shall be required.

7. DESCRIPTION OF THE OPERATION OF THE GENERAL MEETING AND ITS MAJOR POWERS, AS WELL AS THE RIGHTS OF THE SHAREHOLDERS AND THE MANNER OF EXERCISE THEREOF

An Annual General Meeting shall be convened by the Management Board of the Issuer, while an Extraordinary General Meeting shall be convened by the Management Board on its own initiative or at a written request of the Supervisory Board, or at a request of shareholders representing at least one-twenty of the share capital.

The Supervisory Board shall convene a General Meeting where:

- the Management Board of the Company failed to convene it within the prescribed period;
- in spite of having received a request to convene a General Meeting, the Management Board of the Company failed to do so within two weeks from the date of the request.

Shareholders representing at least half of the share capital or at least half of the votes in the Company may convene an Extraordinary General Meeting. Shareholders shall appoint the chairman of the Meeting (Article 399(3) of the CCC).

A General Meeting of a public company shall be convened by an announcement on the company's website, in the manner prescribed for submission of current information in accordance with the provisions on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies. The announcement should be made at least twenty six days before the date of the General Meeting (Article 402¹ of the CCC).

An announcement of convening a General Meeting of a public company should include at least:

- the date, time and place of the General Meeting and its detailed agenda;
- precise description of the procedures for participation in the General Meeting and exercising voting rights, in particular information on:

- the shareholder's right to request certain issues to be put on the agenda of the General Meeting;
- the shareholder's right to submit draft resolutions concerning issues on the agenda of the General Meeting or issues which are to be put on the agenda before the date of the General Meeting;
- the shareholder's right to submit draft resolutions concerning issues on the agenda of the General Meeting;
- the procedure for voting by proxy, in particular, the forms used when voting by proxy, and the manner of notifying the Company by means of electronic communications of the appointment of a proxy;
- possibility and the manner of participation in the General Meeting by means of electronic communications;
- the manner of speaking during the General Meeting with the use of means of electronic communications;
- the procedure for voting by mail or by means of electronic communication;
- the date of registration for participation in the General Meeting, referred to in Article 406¹;
- information that the right to participate in the General Meeting is reserved only for persons who are shareholders of the Company on the date of the registration of participation in the General Meeting;
- information on where and how a person entitled to participate in the General Meeting may obtain the full text of the documents to be submitted to the General Meeting and draft resolutions or, if no resolutions are to be adopted, comments of the Management Board or the Supervisory Board concerning the issues on the agenda of the General Meeting or issues which are to be put on the agenda before the date of the General Meeting;
- the address of the website on which the information concerning the General Meeting will be made available (Article 402² of the CCC).

A public company shall operate its own website and post on it, since the date of convening the General Meeting, among others:

- notice of a General Meeting;
- information on the total number of shares in the company and the number of votes to which those shares entitle on the date of notifying of a General Meeting, and, where the shares are of different types – also information on the breakdown of those shares into different types and the number of voting rights of the shares of each type;
- documents to be submitted to the General Meeting;
- draft resolutions or, where no resolutions are to be adopted, comments of the Management Board or the Supervisory Board concerning the issues on the agenda of the General Meeting or issues which are to be put on the agenda before the date of the General Meeting;
- forms to be used while exercising the right to vote by proxy or by mail, if they are not sent directly to all shareholders (Article 402³ of the CCC).

Before any General Meeting a list of shareholders entitled to participate in the General Meeting should be drawn up. Upon signing by the Management Board, the list shall be made available in the premises of the Issuer for a period of three days preceding the date of the General Meeting. Shareholders may view the list in the premises of the Issuer and request a copy of the list against reimbursement of the costs of its preparation. A shareholder of a public company may request to be sent the list of shareholders free of charge, specifying the address to which the list is to be sent (Article 407(1¹) of the CCC).

The General Meeting shall be opened by the Chairman of the Supervisory Board or a person designated by him, which is followed by the election of the chairman of the General Meeting from among persons entitled to vote. Immediately after the election of the Chairman, an attendance list, containing the list of participants and the number of shares that each of them represents and the number of their votes, must be drawn up and signed by the Chairman of the General Meeting. At a request of shareholders holding at least one-tenth of the share capital represented at the General Meeting, the attendance should be checked by the committee appointed for this purpose. The committee should consist of at least three members. The shareholders requesting the attendance

to be checked have the right to elect one member of the committee. The General Meeting may adopt resolutions only on issues put on the agenda (the agenda is determined by the Management Board of the Company), unless the entire share capital is represented at the General Meeting, and none of those present objected to the adoption of the resolution. The General Meeting may adopt resolutions also without having been formally convened, provided the entire share capital is represented and none of those present objected to holding the General Meeting or putting the various issues on the agenda.

The Supervisory Board or a shareholder or shareholders representing at least one-twentieth of the share capital may request certain issues to be put on the agenda of the next meeting. The request should be submitted to the Management Board no later than fourteen days before the date of the General Meeting. In the case of a public company, this period shall be twenty-one days. The request should include a justification or a draft resolution on the proposed agenda. The request may be submitted in electronic form (Article 401(1) of the CCC).

The General Meeting may adopt resolutions regardless of the number of shareholders present at the Meeting and the number of represented shares. Resolutions of the General Meeting shall be passed by an absolute majority of votes cast, unless the law or the Issuer's Articles of Association provide otherwise. In the case provided for in Article 397 of the CCC, a majority of three-fourths of votes cast shall be required to pass a resolution on winding the company up.

The voting shall be open. A secret ballot shall be held as regards the appointment and dismissal of members of the company's authorities or liquidators of the company, or holding them liable, as well as in personal matters. A secret ballot shall be held at a request of at least one of those present entitled to vote. Resolutions on the change of the company's business shall be adopted at all times by roll-call vote.

The General Meeting shall adopt its rules of procedure specifying in detail the conduct of the Meeting. The rules of the General Meeting of Ceramika Nowa Gala SA are available on the Issuer's website at www.nowa-gala.com.pl.

Shareholders of the Company have the following rights related to participation in the Company (corporate rights):

- the right to participate in the General Meeting (Article 412 of the CCC) and the right to vote at the General Meetings (Article 411(1) of the CCC). In accordance with the Articles of Association each share shall entitle to one vote at the General Meeting;
- shareholders representing at least half of the share capital or at least half of the votes in the Company may convene an Extraordinary General Meeting (Article 399(3) of the CCC);
- the right to request to convene an Extraordinary General Meeting and to request to put various issues on the agenda granted to shareholders holding at least one-twentieth of the Company's share capital (Article 400(1) of the CCC). The request to convene a General Meeting shall include the issues to be put on its agenda. Where the Management Board fails to convene an Extraordinary General Meeting within two weeks from the date of the request, the registry court may authorize the shareholders who made the request to convene an Extraordinary General Meeting (Article 400(3) of the CCC);
- the right to appeal against resolutions of the General Meeting as stipulated in Articles 422-427 of the CCC;
- the right to request the appointment of the Supervisory Board in separate groups in accordance with Article 385(3) of the CCC, at a request of shareholders representing at least one-fifth of the share capital. The Supervisory Board shall be elected at the next General Meeting by voting in separate groups;
- the right to request a particular issue related to the formation of a public company or managing its affairs by an expert (special auditor). A resolution in this respect shall be put to the vote by the General Meeting at a request of a shareholder or shareholders holding at least 5% of the total number of votes at the General Meeting (Article 84 of the Act on Public Offering). Where the General Meeting dismisses the motion for the appointment of a special auditor, the applicants may request the Registration Court to designate such an auditor within 14 days from the adoption of the resolution (Article 85 of the Act on Public Offering);

- the right to obtain information about the Company to the extent and in the manner prescribed by law, in particular, in accordance with Article 428 of the CCC, during the General Meeting the Management Board is required to provide the shareholder, at their request, with specific information concerning the Company, as long as it is justified in terms of the assessment of a given issue on the agenda. A shareholder who was refused to be provided with the requested information during the General Meeting and who has raised an objection to the minutes, may apply to the Registration Court for obliging the Management Board to provide them with the requested information (Article 429 of the CCC). Where the shareholder has requested to be provided with information concerning the Company outside the General Meeting, the Management Board may provide this shareholder with such information in writing, subject to Article 428(2);
- the right to be provided with a registered deposit certificate issued by the entity maintaining the securities account, in accordance with the regulations on trading in financial instruments (Article 328(6) of the CCC);
- the right to request copies of the report of the Management Board on the activities of the Company and of the financial statements, along with a copy of the report of the Supervisory Board and the auditor's opinion, no later than fifteen days before the General Meeting (Article 395(4) of the CCC);
- the right to inspect in the premises of the Management Board the list of shareholders entitled to participate in the General Meeting and request a copy of the list against reimbursement of the costs of its preparation (Article 407(1) of the CCC);
- the right to request copies of motions regarding the issues on the agenda within one week before the General Meeting (Article 407(2) of the CCC);
- the right to request the attendance at the General Meeting to be checked by the committee appointed for this purpose, consisting of at least three persons. The request may be submitted by shareholders holding one-tenth of the share capital represented at the General Meeting. The shareholders requesting the attendance to be checked have the right to elect one member of the committee (Article 410(2) of the CCC);
- the right to review the minutes of General Meetings and request copies of resolutions certified by the Management Board (Article 421(3) of the CCC);
- the right to bring a legal action for damages incurred by the Company as stipulated in Articles 486 and 487 of the CCC, where the Company has not brought an action for damage incurred by it within one year from the date on which the act causing damage took place;
- the right to review documents and request to be provided free of charge in the Company's premises with copies of the documents referred to in Article 505(1) of the CCC (in the case of business combination), in Article 540(1) of the CCC (in the case of split of the company) and in Article 561(1) of the CCC (in the case of transformation of the company);
- the right to inspect the share register and request an excerpt thereof against reimbursement of the cost of its preparation (Article 341(7) of the CCC);
- the right to request a commercial company being a shareholder of the Issuer to provide information on whether it is dominant or subordinate to a given commercial company or cooperative being the Issuer's shareholder, or whether such a dominance or dependence relation has been terminated. A shareholder may request also information as regards the number of shares or votes held by that commercial company, also as a pledgee, user or under agreements with third parties. A request for information and replies should be submitted in writing (Article 6(4) and (6) of the CCC);
- in accordance with the Issuer's Articles of Association, shares may be redeemed subject to the provisions regarding decrease in the share capital by a resolution of the General Meeting and upon the consent of the shareholder. The Company may purchase treasury shares for the purpose of their redemption. In accordance with Article 359(2) of the CCC, redemption of treasury shares requires a resolution of the General Meeting, which should set out, in particular, the legal basis for redemption, the amount of compensation payable to the shareholder from the redeemed shares or the reason for redemption of shares without compensation, as well as the method of share capital reduction;

- in accordance with the Issuer's Articles of Association, all shares of the Issuer shall be bearer shares.

Shareholders of the Company are also entitled to the following property rights:

- the right to dividend, i.e. share in the Company's profit disclosed in the financial statements audited by a certified auditor, allocated by the General Meeting for the payment to the shareholders (Article 347 of the CCC). The profit shall be distributed in proportion to the number of shares held. The Articles of Association do not provide for any benefits as regards this right, which means that each share entitles to the same amount of dividend. The right to dividend for the financial year is restricted to shareholders who held shares on the record date which determines the date of the Annual General Meeting on the date of the adoption of the resolution on profit distribution or within the subsequent three months from that date (Article 348 of the CCC). In determining the record date, the General Meeting should take into account the regulations set out by the National Depository for Securities and the Warsaw Stock Exchange. The Annual General Meeting shall also set the dividend payment date (Article 348(3) of the CCC). Following the adoption of the resolution on the allocation of distributable profit, shareholders acquire a dividend claim. The dividend claim becomes due on the date specified in the resolution of the General Meeting and shall be subject to the statute of limitations on general principles. The law does not specify the date after which entitlement to dividend expires. The amount to be distributed among the shareholders may not exceed the profit for the last financial year plus retained earnings from previous years and the amounts transferred from the capital reserve and other reserves that can be allocated to dividends. This amount should be reduced by uncovered losses, treasury shares and amounts which, in accordance with the Commercial Companies Code or the Articles of Association, should be allocated from the profit for the last financial year to capital reserve or other reserves (Article 348(1) of the CCC). The law does not contain any other provisions on the dividend rate or the method of its calculation, the frequency and the accumulated or non-accumulated type of payments;
- application of the rate set out in an agreement on the avoidance of double taxation entered into by the Republic of Poland, or not collecting tax in accordance with this agreements in the case of dividend income, is possible only on providing the entity obliged to deduct flat-rate income tax with a certificate of fiscal residence issued by the competent tax authorities. The obligation to provide the certificate shall be met by a foreign entity that generates specific income from Polish sources. The certificate of fiscal residence is used by the tax payer primarily to determine whether they should apply the rate (or exemption) determined in an international agreement, or, if in doubt, deduct tax in the amount specified in the act. In the latter case, if the non-resident proves that the provisions of an international agreement which provided for a reduction of the domestic tax rate (including exemption from the total amount of tax) applied in their case, they will be able to claim declaring the tax to be overpaid and return of the unduly collected tax directly from the tax office. There are no other limitations or special procedures related to dividends for shareholders who are non-residents;
- the pre-emptive right to subscribe for new shares in proportion to the number of shares held (subscription right). Subject to the requirements referred to in Article 433 of the CCC, the shareholder may be deprived of this right in the interests of the Company, in whole or in part, by a resolution of the General Meeting adopted by a majority of at least four-fifths of votes. Shareholders may be deprived of the pre-emptive right where it has been announced in the agenda of the General Meeting. Should it be the case, the Management Board shall be required to provide the General Meeting with a written opinion justifying the reasons for exclusion of subscription rights and the proposed share issue price or the manner in which it is to be determined. The requirement to obtain a majority of at least four-fifths of the votes does not apply when the resolution on the increase in the share capital stipulates that the new shares are to be taken up in total by a financial institution (the underwriter), which is then obliged to offer them to shareholders in order to enable them to exercise their subscription rights under the terms and conditions set out in the resolution, and where the resolution stipulates that the new shares are to be taken up by the underwriter, if the shareholders with pre-emptive rights

have not taken up part or all of the shares offered to them. Shareholders may be deprived of the pre-emptive right where it has been announced in the agenda of the General Meeting;

- shares of the Issuer do not confer any other rights to shares in the Issuer's profits than that set forth in subparagraph 1, in particular, the Issuer's Articles of Association do not provide for share in the Company's profits in the form of registered founder's certificates issued in order to compensate for the services provided in the formation of the Company or utility certificates issued in exchange for redeemed shares;
- the right to share in the Company's assets remaining once the creditors have been satisfied or secured in case of winding the Company up. In accordance with Article 474(2) of the CCC, the assets remaining after the creditors have been satisfied or secured shall be distributed among the shareholders in proportion to their contributions to the share capital. The Company's Articles of Association do not provide for any preference in this regard;
- the right to dispose of the shares;
- the right to encumber the shares held with a pledge or usufruct. Within the period when shares of a public company encumbered with a pledge or usufruct are registered in a securities account maintained by an entity authorized under the regulations on trading in financial instruments, the shareholder shall be entitled to exercise the voting rights of the shares (Article 340(3) of the CCC).

8. COMPOSITION OF THE COMPANY'S MANAGING AND SUPERVISORY BODIES

The Management Board shall be composed of from two to five persons, including the President, Vice Presidents and members appointed and dismissed by the Supervisory Board. The term of office of a member of the Management Board shall be three years. Members of the Management Board are appointed for a joint term of office. The number of members of the Management Board shall be determined by the Supervisory Board, composed at present of two members. The managing persons are not granted any authorizations as regards taking decisions on the issue or redemption of treasury shares, except for the powers conferred to them by resolutions of the General Meeting under the share buyback programs in place in the Company. The operation of the Management Board shall be governed primarily by the Company's Articles of Association (in particular Articles 16-18) and the Code of Commercial Companies.

The composition of the managing and supervisory bodies of the Company has remained unchanged since 2013. The Supervisory Board of Ceramika Nowa Gala SA is composed of:

- 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 Tomasik: Member of the Supervisory Board.

The Management Board of the Company is composed of:

- Mr. Waldemar Piotrowski, acting as President of the Management Board;
- Mr. Paweł Górnicki, acting as Vice President of the Management Board.

Mr. Zbigniew Polakowski acts as a proxy in Ceramika Nowa Gala SA and Ceramika Nowa Gala Sp. z o.o. subsidiary.

Waldemar Piotrowski
President of the Management Board

Paweł Górnicki
Vice President of the Management Board