



**Consolidated interim financial statements
of the**

Ceramika Nowa Gala SA Group

for the period from 1 January 2019 to 31 March 2019

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, 7 May 2019

Consolidated statement of profit and loss and other comprehensive income for the period from 1 January 2019 to 31 March 2019

Amounts in PLN thousand (PLN '000)

	Q1 2019	Q1
Revenue	39,347	36,987
Cost of sales	30,412	28,191
Gross profit	8,935	8,796
Other income	46	28
Selling and administrative expenses	9,720	11,199
Other operating expenses	139	247
Profit before interest and tax	-878	-2,622
Finance income	7	44
Finance expenses	518	544
Profit from continued operations before tax	-1,389	-3,122
Income tax expense	-221	92
Profit from continued operations after tax	-1,168	-3,214
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-1,168	-3,214
Other comprehensive income that may be transferred to the profit in the future		
Exchange rate differences from translation	-	-3
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-1,168	-3,217
Net profit attributable to		
shareholders of the parent company	-1,168	-3,214
non-controlling interests	-	-
	-1,168	-3,214
Total comprehensive income attributable to		
shareholders of the parent company	-1,168	-3,217
non-controlling interests	-	-
	-1,168	-3,217

	Unit	Q1 2019	Q1 2018
Annualized profit/(loss)	PLN thousand	-19,100	-7,097
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.41	-0.15
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.41	-0.15

Consolidated statement of financial position as at 31 March 2019

Amounts in PLN thousand (PLN '000)

Assets	31.03.2019	31.12.2018
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	2,246	2,423
Property, plant and equipment	76,229	79,183
Right-of-use	3,869	-
Investment property	-	-
Other financial assets	145	145
Deferred tax assets	4,664	4,684
Total non-current assets	106,004	105,286
Current assets		
Inventory	73,552	76,041
Trade and other receivables	27,699	20,614
Receivables from current income tax	562	521
Other financial assets	-	-
Cash and cash equivalents	10,052	8,162
Other current assets	1,170	730
Total current assets	113,035	106,068
Fixed assets classified as held for sale in accordance with IFRS 5	2,995	2,995
Total assets	222,034	214,349

(continued on the next page)

Consolidated statement of financial position as at 31 March 2019 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	31.03.2019	31.12.2018
Equity		
Share capital	46,894	46,894
Capital reserves	114,171	114,171
Revaluation reserve	-	-
Exchange rate differences from translation	4	4
Reserve capital	8,719	8,719
Retained earnings	-22,968	-20,942
Equity attributable to shareholders of the parent company	146,820	148,846
Non-controlling interests	-	-
Total equity	146,820	148,846
Non-current liabilities		
Borrowings	-	-
Lease liabilities	2,147	-
Provision for deferred income tax	1,647	2,005
Provision for employee benefits	24	24
Total non-current liabilities	3,818	2,029
Current liabilities		
Trade and other payables	25,154	20,294
Current tax liability	5	10
Borrowings	37,855	37,949
Factoring liability	638	259
Lease liabilities	1,740	-
Provision for employee benefits	1,385	1,227
Other provisions	4,619	3,735
Total current liabilities	71,396	63,474
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	75,214	65,503
Total equity and liabilities	222,034	214,349
Book value (in PLN thousand)	146,820	148,846
Number of shares (in thousand shares)	46,894	46,894
Book value per share (in PLN)	3.13	3.17
Diluted number of shares (in thousand shares)*	46,894	46,894
Diluted book value per share (in PLN)	3.13	3.17

Consolidated cash flow statement for the period from 1 January 2019 to 31 March 2019

Amounts in PLN thousand (PLN '000)

	Q1 2019	Q1 2018
<u>Operating activities</u>		
Net profit/(loss)	-1,168	-3,214
Amortization and depreciation	3,863	3,479
Interest revenue and expenses	433	377
Exchange rate gains/(losses)	-252	-52
Gain/(loss) on disposal of intangible and tangible non-current assets	56	-15
Movement in provisions, write-downs, prepayments and accruals	585	-2,607
Income tax expense	-221	92
Other adjustments	-11	-
Cash flow from operations before movements in working capital	3,285	-1,940
Movement in inventory	2,481	-9,802
Movement in receivables	-7,069	-4,001
Movement in liabilities	4,981	8,083
Cash flow from operations before tax	3,678	-7,660
Interest received from operating activities	-	-
Interest paid on operating activities	-1	-
Income tax paid	-146	-527
Net cash from operating activities	3,531	-8,187
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	1	48
Purchase of tangible and intangible non-current assets	-1,263	-1,336
Net cash from investing activities	-1,262	-1,288

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Consolidated cash flow statement for the period from 1 January 2019 to 31 March 2019 (contd.)

Amounts in PLN thousand (PLN '000)

	Q1 2019	Q1 2018
<u>Financing activities</u>		
Proceeds from borrowings	349	7,808
Inflows from other sources of funding	378	-
Repayment of borrowings	-449	-626
Repayment of factoring liabilities	-	-217
Lease liabilities paid	-485	-
Interest paid pertaining to financing activities	-420	-374
Net cash from financing activities	-627	6,591
Net cash from financing activities	1,642	-2,884
Cash and cash equivalents at the beginning of the period	8,162	13,623
Exchange rate differences	248	104
Cash and cash equivalents at the end of the period	10,052	10,843
<u>Structure of cash and cash equivalents:</u>		
Unrestricted cash	8,867	10,242
Restricted cash	1,185	601
	10,052	10,843

Consolidated statement of changes in equity**for the period from 1 January 2019 to 31 March 2019**

Amounts in PLN thousand (PLN '000)

	Attributable to the shareholders of the parent company							Total	Non-controlling interests	Total equity
	Share capital	Capital reserves	Foreign exchange differences from translation	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings			
As at 1 January 2018	46,894	122,146	15	8,719	-	--	-5,427	172,347	-	172,347
Effects of changes to the accounting policies	-	-	-	-	-	-	-	-	-	-
As at 1 January 2018 after transformation	46,894	122,146	15	8,719	-	-	-5,427	172,347	-	172,347
Total comprehensive income*	-	-	-3	-	-	-	-3,214	-3,217	-	-3,217
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2018	46,894	122,146	12	8,719	-	-	-8,641	169,130	-	169,130
As at 1 January 2019	46,894	114,171	4	8,719	-	-	-20,942	148,846	-	148,846
Effects of changes to the accounting policies	-	-	-	-	-	-	-858	-858	-	-858
As at 1 January 2019 after transformation	46,894	114,171	4	8,719	-	-	-21,800	147,988	-	147,988
Total comprehensive income*	-	-	-	-	-	-	-1,168	-1,168	-	-1,168
Coverage of loss from previous years	-	-	-	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-	-	-	-
As at 31 March 2019	46,894	114,171	4	8,719	-	-	-22,968	146,820	-	146,820

Consolidated financial statements of Ceramika Nowa Gala SA

* After Q1 2019, the amount of total income included: net loss in the amount of PLN -1,168 thousand which decreased the amount of retained earnings. After Q1 2018, the amount of total income included: net loss in the amount of PLN -3,214 thousand which decreased the amount of retained earnings, while exchange rate differences from translation of the financial statements of CNG Luxembourg S. à.r. l. into PLN, in the amount of PLN -3 thousand, were recognized (in minus) in the 'exchange rate differences from translation' item.

Financial highlights

Euro exchange rates used to translate the items in the following table:

- as for balance sheet data, the average exchange rates of the NBP were used: 4.30 PLN/EUR as at 31 December 2018 and 4.3013 PLN/EUR as at 31 March 2019;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, prevailing on the last day of each month in the reporting period, were used: 4.1784 PLN/EUR in 2018; 4.2978 PLN/EUR in 2019.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.8365 PLN/USD as at 31 March 2019 and 3.7597 PLN/USD as at 31 December 2018.

Consolidated data	in PLN thousand		in EUR thousand	
	Q1 2019	Q1 2018 (comparative data)**	Q1 2019	Q1 2018 (comparative data)**
I. Net sales	39,347	36,987	9,155	8,852
II. Profit/(loss) from operating activities	-878	-2,622	-204	-628
III. Profit/(loss) before tax	-1,389	-3,122	-323	-747
IV. Net profit/(loss)	-1,168	-3,214	-272	-769
V. Net cash flows from operating activities	3,531	-8,187	822	-1,959
VI. Net cash flows from investing activities	-1,262	-1,288	-294	-308
VII. Net cash flows from financing activities	-627	6,591	-146	1,577
VIII. Net cash flows (in total)*	1,890	-2,780	440	-665
IX. Total assets	222,034	214,349	51,620	49,849
X. Liabilities and provisions for liabilities	75,214	65,503	17,486	15,233
XI. Non-current liabilities	3,818	2,029	888	472
XII. Current liabilities	71,396	63,474	16,599	14,762
XIII. Equity	146,820	148,846	34,134	34,615
XIV. Share capital	46,894	46,894	10,902	10,906
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.41	-0.15	-0.09	-0.04
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.41	-0.15	-0.09	-0.04
XVIII. Book value per share (in PLN/EUR)	3.13	3.17	0.73	0.74
XIX. Diluted book value per share (in PLN/EUR)	3.13	3.17	0.73	0.74
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

** Comparative data for the previous year include: in the case of income statement amounts and cash flow statement amounts – data for the first quarter of the previous year, while in the case of balance sheet data – amounts as at 31 December of the previous year.

Separate statement of profit and loss and other comprehensive income

for the period from 1 January 2019 to 31 March 2019

Amounts in PLN thousand (PLN '000)

	Q1 2019	Q1 2018
Revenue	30,481	26,694
Cost of sales	26,052	23,117
Gross profit	4,429	3,577
Other income	1	28
Selling and administrative expenses	6,331	7,525
Other operating expenses	162	184
Profit before interest and tax	-2,063	-4,104
Finance income	-	12
Finance expenses	207	242
Profit from continued operations before tax	-2,270	-4,333
Income tax expense	-451	-139
Profit from continued operations after tax	-1,819	-4,195
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-1,819	-4,195
Other comprehensive income that may not be transferred to the profit in the future		
None	-	-
Total comprehensive income	-1,819	-4,195

	Unit	Q1 2019	Q1 2018
Annualized profit/(loss)	PLN thousand	-16,025	-11,725
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.34	-0.25
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.34	-0.25

Separate statement of financial position as at 31 March 2019

Amounts in PLN thousand (PLN '000)

Assets	31.03.2019	31.12.2018
Non-current assets		
Intangible assets	649	681
Property, plant and equipment	40,717	42,875
Right-of-use	3,532	-
Investments in related parties	58,524	58,524
Other financial assets	145	145
Deferred tax assets	3,250	2,963
Total non-current assets	106,817	105,188
Current assets		
Inventory	53,693	56,833
Trade and other receivables	14,953	10,981
Receivables from current income tax	-	-
Cash and cash equivalents	3,780	2,314
Other current assets	915	560
Total current assets	73,341	70,688
Fixed assets classified as held for sale in accordance with IFRS 5	2,995	2,995
Total assets	183,153	178,871

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Separate statement of financial position as at 31 March 2019 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	31.03.2019	31.12.2018
Equity		
Share capital	46,894	46,894
Capital reserves	114,184	114,184
Revaluation reserve	-	-
Reserve capital	-	-
Retained earnings	-21,149	-18,471
Total equity	139,929	142,607
Non-current liabilities		
Borrowings	-	-
Lease liabilities	1,957	-
Provision for deferred income tax	94	259
Provision for employee benefits	-	-
Other provisions	-	-
Total non-current liabilities	2,051	259
Current liabilities		
Trade and other payables	24,033	20,871
Current tax liability	-	-
Borrowings	10,659	11,094
Lease liabilities	1,591	-
Provision for employee benefits	1,096	988
Other provisions	3,794	3,052
Total current liabilities	41,173	36,005
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	43,224	36,264
Total equity and liabilities	183,153	178,871

	Unit	31.03.2019	31.12.2018
Book value	PLN thousand	139,929	142,607
Number of shares	thousand shares	46,894	46,894
Book value per share	PLN thousand	2.98	3.04
Diluted number of shares	thousand shares	46,894	46,894
Diluted book value per share	PLN	2.98	3.04

Separate cash flow statement for the period from 1 January 2019 to 31 March 2019

Amounts in PLN thousand (PLN '000)

	Q1 2019	Q1 2018
<u>Operating activities</u>		
Net profit/(loss)	-1,819	-4,195
Amortization and depreciation	2,727	2,420
Interest revenue and expenses	122	65
Exchange rate gains/(losses)	-1	12
Gain/(loss) on disposal of intangible and tangible non-current assets	17	-31
Movement in provisions, write-downs, prepayments and accruals	497	-1,616
Income tax expense	-451	-139
Other adjustments	86	3
Cash flow from operations before movements in working capital	1,178	-3,481
Movement in inventory	3,140	-8,456
Movement in receivables	-3,949	781
Movement in liabilities	3,032	5,384
Cash flow from operations before tax	3,401	-5,772
Interest received from operating activities	-	-
Interest paid on operating activities	-1	-
Income tax paid	-	-
Net cash from operating activities	3,400	-5,772
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	9	52
Purchase of tangible and intangible non-current assets	-862	-961
Loans granted	-86	-
Net cash from investing activities	-939	-908

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Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN `000)

	Q1 2019	Q1 2018
Financing activities		
Proceeds from borrowings	19	3,540
Repayment of borrowings	-451	-627
Lease liabilities paid	-439	-
Interest paid pertaining to financing activities	-121	-77
Net cash from financing activities	-992	2,836
Net cash from financing activities	1,469	-3,845
Cash and cash equivalents at the beginning of the period	2,314	6,111
Exchange rate differences	-3	40
Cash and cash equivalents at the end of the period	3,780	2,306
Structure of cash and cash equivalents:		
Unrestricted cash	3,507	2,125
Restricted cash	273	181
	3,780	2,306

Separate statement of changes in equity for the period from 1 January 2019 to 31 March 2019

Amounts in PLN thousand (PLN '000)

	Share capital	Capital reserves	Reserve capital	Revaluation reserve	Treasury shares	Retained earnings	Total equity
As at 1 January 2018	46,894	125,503	-	-	-	-9,122	163,275
Effects of changes to the accounting policies	-	-	-	-	-	-	-
As at 1 January 2018 after transformation	46,894	125,503	-	-	-	-9,122	163,275
Total comprehensive income*	-	-	-	-	-	-4,195	-4,195
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Effects of the merger of CNG SA with CNG II	-	-2,485	-	-	-	2,485	-
As at 31 March 2018	46,894	123,018	-	-	-	-10,832	159,080
As at 1 January 2019	46,894	114,184	-	-	-	-18,471	142,670
Effects of changes to the accounting policies	-	-	-	-	-	-859	-859
As at 1 January 2019 after transformation	46,894	114,184	-	-	-	-19,330	141,748
Total comprehensive income*	-	-	-	-	-	-1,819	-1,819
Coverage of loss from previous years	-	-	-	-	-	-	-
Distribution of profit from previous years	-	-	-	-	-	-	-
As at 31 March 2019	46,894	114,184	-	-	-	-21,149	139,929

* After Q1 2019, the amount of total income included: net loss in the amount of PLN 1,819 thousand which decreased the amount of retained earnings. After Q1 2018, the amount of total income included: net loss in the amount of PLN 4,195 thousand which decreased the amount of retained earnings.

Financial highlights

Euro exchange rates used to translate the items in the following table:

- as for balance sheet data, the average exchange rates of the NBP were used: 4.30 PLN/EUR as at 31 December 2018 and 4.3013 PLN/EUR as at 31 March 2019;
- as regards data derived from the statement of comprehensive income and the cash flow statement, the following exchange rates, which constituted the arithmetic average of the NBP rates, prevailing on the last day of each month in the reporting period, were used: 4.1784 PLN/EUR in 2018; 4.2978 PLN/EUR in 2019.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.8365 PLN/USD as at 31 March 2019 and 3.7597 PLN/USD as at 31 December 2018.

Separate data	in PLN thousand		in EUR thousand	
	Q1 2019	Q1 2018 (comparative data)**	Q1 2019	Q1 2018 (comparative data)**
I. Net sales	30,481	26,694	7,092	6,389
II. Profit/(loss) from operating activities	-2,063	-4,104	-480	-982
III. Profit/(loss) before tax	-2,270	-4,333	-528	-1,037
IV. Net profit/(loss)	-1,819	-4,195	-423	-1,004
V. Net cash flows from operating activities	3,400	-5,772	791	-1,381
VI. Net cash flows from investing activities	-939	-908	-218	-217
VII. Net cash flows from financing activities	-992	2,836	-231	679
VIII. Net cash flows (in total)*	1,466	-3,804	341	-910
IX. Total assets	183,153	178,871	42,581	41,598
X. Liabilities and provisions for liabilities	43,224	36,264	10,049	8,433
XI. Non-current liabilities	2,051	259	477	60
XII. Current liabilities	41,173	36,005	9,572	8,373
XIII. Equity	139,929	142,607	32,532	33,164
XIV. Share capital	46,894	46,894	10,902	10,906
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.34	-0.25	-0.08	-0,06
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.34	-0.25	-0.08	-0,06
XVIII. Book value per share (in PLN/EUR)	2.98	3.04	0.69	0,71
XIX. Diluted book value per share (in PLN/EUR)	2.98	3.04	0.69	0,71
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

*Balance sheet movement in cash, taking into account the movement in revaluation from exchange rate differences.

** Comparative data for the previous year include: in the case of income statement amounts and cash flow statement amounts – data for the first quarter of the previous year, while in the case of balance sheet data – amounts as at 31 December of the previous year.

Additional Information

to the consolidated quarterly report for Q1 2019 of the group of companies for which Ceramika Nowa Gala SA is their parent company, comprising the condensed separate quarterly financial statements of the parent company

1. Rules for the preparation of the consolidated quarterly report

When preparing the consolidated financial statements, the Company complies 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 Gres SA – a subsidiary company;
- CNG Luxembourg S.à.r.l. – a subsidiary company;
- Energia Park Trzemoszna Sp. z o.o. - an entity controlled by the parent company and its subsidiary.

The books of Ceramika Gres SA subsidiary are kept based on the same accounting principles as those applicable to the parent company. The accounts of CNG Luxembourg S.à.r.l. are kept in accordance with accounting standards applicable in Luxembourg, and its financial statements are subject to relevant transformations in the consolidation process. The books of Energia Park Trzemoszna Sp. z o.o. are kept in accordance with Polish accounting standards provided for in the Accounting Act, and – if required – the financial statements of this company are subject to relevant transformations in the consolidation process. The financial statements of the subsidiaries are consolidated on a line-by-line basis, with due account of any applicable exclusions and conversions to the presentation currency, i.e. PLN.

CNG Luxembourg S.à.r.l. has been established to manage the portfolio of treasury shares of the parent company, purchased in the framework of share buyback programs. Currently, this company does not conduct any other activity, and all treasury shares held by this entity have been transferred to Ceramika Nowa Gala SA and redeemed.

Energia Park Trzemoszna Sp. z o.o. holds a licence to trade in gas. This company purchases part of gas for the other companies in the Group.

These condensed interim financial statements have been drawn up in line with IAS 34. The applied accounting policies are the same as those which governed the preparation of the financial statements for 2018.

These condensed consolidated semi-annual financial statements have been prepared with the assumption that the companies which belong to the Group would continue their business in the foreseeable future. As at the date 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 semi-annual 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 2018, prepared in accordance with IFRSs.

2. Change in the accounting policies concerning IFRS 16 – Leases

On 1 January 2019, the accounting principles provided for in the new IFRS 16 were applied for the first time. In order to meet its requirements, the following new items were recognized in the statement of financial position: in assets – the right-of-use, and in the equity and liabilities – a lease liability. Depreciation of newly recognized assets has a direct impact on the profit for the period or

manufacturing costs. Interest on a lease liability has a direct impact on the profit for the period through the financial expenses item. The aforementioned items concern concluded lease agreements which in previous years met the definition of operating lease and usufructuary rights which were recognized in previous periods in non-current assets in the land item and depreciated.

The standard was adopted for the first time in accordance with the simplified method, with no transformation of comparative data. The cumulated effect of the first time adoption of the new standard (relating to the change in presentation of usufructuary rights) was presented as an adjustment to the opening balance of retained profit from previous years as at the date of the transition, i.e. 1 January 2019.

3. Seasonal nature of the Issuer's business

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

4. Impact of unusual events on the financial statements

- Due to production downtime, the profit was lower by PLN 4,006 thousand. In the same period of 2018, this figure was PLN 1,263 thousand.
- The profit on the sale of the rights to carbon dioxide emissions was PLN 855 thousand. These rights were a surplus that remained following liquidation of production in the former plant of Ceramika Nowa Gala II.

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

- Creating a provision for liabilities: PLN 3,813 thousand;
- utilizing the provision for liabilities: PLN 2,757 thousand;
- utilizing the provision for deferred income tax: PLN 357 thousand;
- increasing deferred income tax assets: PLN 619 thousand;
- utilizing deferred income tax assets: PLN 638 thousand.

6. Business segments

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

6.1. Information on geographic segments

Amounts in PLN thousand (PLN '000)

	DOMESTIC		EXPORTS		TOTAL	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Revenue	30,763	29,549	8,584	7,438	39,347	36,987
Cost of sales	25,213	20,774	6,226	5,371	31,439	26,145
Sales result	5,550	8,775	2,358	2,067	7,908	10,842
Unallocated costs					-1,027	2,046
Gross profit					8,935	8,796
Assets	31.03.2019	31.12.201	31.03.201	31.12.201	31.03.201	31.12.201
Trade receivables	18,399	12,127	6,221	5,054	24,620	17,181
Other receivables (unallocated)					3,079	3,433
					27,699	20,614

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

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

6.2. Information on product segments

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

Amounts in PLN thousand (PLN '000)

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Revenue from sales to external customers	38,364	36,938	983	49	39,347	36,987
Purchase of fixed assets	1,338	1,895	-	-	1,338	1,895

6.3. Information on significant customers

In Q1 2019, sales to none of the customers of the Group exceeded 10% of consolidated revenue from sales.

7. Loan agreements

7.1. Loans contracted by Ceramika Nowa Gala SA

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

On 11 February 2019, Ceramika Nowa Gala SA and mBank SA signed an annex to the loan agreement to extend the deadline for the repayment of the loan from 27 February 2019 to 27 June 2019, while maintaining the existing collateral and the maximum amount of financing of PLN 500 thousand. The bank's margin was increased from 1.3 p.p. to 1.63 p.p.

7.2. Loans contracted by Ceramika Gres SA subsidiary

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

On 7 January 2019, it was resolved by way of yet another annex to gradually reduce the funding limit under the loan to PLN 26,000 thousand. The deadline for repayment remained unchanged, but the margin was increased from 0.8 p.p. to 1.6 p.p. The reduction is related to mitigating the debt.

7.2.2. Annex to the factoring agreement concluded with ING Commercial Finance Polska SA on 4 November 2014

On 23 April 2019, Ceramika Gres SA and ING Commercial Finance Polska SA signed an annex to the factoring agreement to reduce the maximum funding level from PLN 3,000 thousand to PLN 1,000 thousand.

8. Changes in off-balance sheet items relative to the annual report for 2018

There were changes in off-balance sheet items relative to the information disclosed in the latest consolidated annual report. As at the balance sheet date, contingent (off-balance sheet) liabilities

under a non-recourse factoring agreement signed by the parent company amounted to PLN 10,802 thousand.

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

9.1. Annex to the factoring agreement concluded with ING Commercial Finance Polska SA on 4 November 2014

On 23 April 2019, Ceramika Gres SA and ING Commercial Finance Polska SA signed an annex to the factoring agreement to reduce the maximum funding level from PLN 3,000 thousand to PLN 1,000 thousand.

9.2. Expansion of the composition of the Issuer's Management Board

At a meeting held on 23 April 2019, the Supervisory Board of the Company resolved to expand the composition of the Management Board of this term of office to three members, and resolved to appoint, as at 1 May 2019, Mr. Tomasz Stepek member of the Issuer's Management Board.

10. Position of the Management Board concerning the fulfilment of earnings guidance for 2019

The Company did not publish any earnings guidance for 2019.

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

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

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otwarty Fundusz Emerytalny	9,356,722	19.95%	9,356,722	19.95%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,834,364	12.44%	5,834,364	12.44%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	4,687,607	9.99%	4,687,607	9.99%
PTE Allianz Polska SA	4,562,726	9.73%	4,562,726	9.73%
VALUE Fundusz Inwestycyjny Zamknięty with Sub-fund 1	2,509,980	5.35%	2,509,980	5.35%

Shareholders holding at least 5% of votes at the General Meeting of Shareholders in accordance with the consolidated quarterly report for the Q3 2018 published on 14 November 2018.

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
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				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%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	4,687,607	9.99%	4,687,607	9.99%
VALUE Fundusz Inwestycyjny Zamknięty with Sub-fund 1	2,509,980	5.35%	2,509,980	5.35%

12. Statement of the ownership of the Company's shares or rights to shares of its managing and supervisory persons

As at the date of this Report, it follows from the information available to the Company that:

- Mr. Waldemar Piotrowski, President of the Management Board, holds: 10,806,249 shares of the Company, representing 23.04% of the share capital and authorizing their holder to the same number of votes at the General Meeting of Shareholders;
- Mr. Paweł Górnicki, Deputy 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. Tomasz Stepek, Member of the Management Board, holds: 100,000 shares of the Company, representing 0.21% of the share capital and authorizing their holder to the same number of votes at the General Meeting of Shareholders.

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

There are no such proceedings.

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

In the period covered by this Report, no transactions were concluded with related entities by the Company or its subsidiaries, either individually or jointly, that would be concluded otherwise than on the arm's length basis.

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

In Q1 2019, neither Ceramika Nowa Gala SA nor its subsidiaries granted any loan guarantees, loans or guarantees.

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

2018 was a difficult period for our Group and was closed with a net loss of PLN 21.1 million. The loss was partially due to a 4% (compared to the previous year) decrease in the sales value. Yet the main reason for deteriorated performance was an increase in the operating expenses. The performance was also adversely affected by one-off events. In response to this situation, in Q4 2018, the

Management Board developed and was implementing a performance improvement plan. The plan provides for, among other things, a reduction in operating costs by approximately PLN 10 million within 12 months. The prices of products sold were also increased: for the first time on 1 October 2018 and then on 1 April 2019. Furthermore, the offer is being expanded with new products to increase profitability (the premium segment) and make better use of production capacity (the medium and economic segments). There was also a change of the person in charge of sales. On 23 April 2019, the Supervisory Board resolved to expand the Management Board by a member in charge of sales (more details in Current Report 5/2019). As a result of these measures, a 6% increase in sales revenue was recorded in Q1 2019 compared to the previous year and the loss amount was reduced. The Group also recorded positive EBITDA of PLN 2,985 thousand.

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

Following major modernization of the production lines in the parent company's plant in 2016–2017, only minor replacement investments are planned in next years. All of them can be implemented with own funds. As the operating result improves, the Group plans to gradually reduce its debt to the financial institutions.

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

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

- foreign exchange volatility;
- implementation of an operating expense reduction plan;
- uncertainty as to the cost of electricity;
- increase in product prices;
- growth of sales of new product lines;
- change in the sales management rules, including the expansion of the Management Board's composition by a person in charge of the growth of the Group's sales;
- seasonal increase in sales in Q2 and Q3 of the year.

As regards the parent company, no circumstances occurred that could have had an impact on the assessment of its financial position but were not disclosed in these financial statements.