



**Condensed consolidated semi-annual
financial statements of**

**Ceramika Nowa Gala SA
Group**

for the period from 1 January 2019 to 30 June 2019

Końskie, 30 August 2019

Consolidated statement of profit and loss and other comprehensive income

for the period from 1 January 2019 to 30 June 2019

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
Revenue	76,224	75,246
Cost of sales	59,159	58,427
Gross profit	17,065	16,819
Other income	49	18
Selling and administrative expenses	21,378	22,454
Other expenses	114	706
Profit before interest and tax	-4,378	-6,323
Finance income	24	170
Finance expenses	1,021	1,311
Share in profits of associates and joint ventures	-	-
Profit from continued operations before tax	-5,375	-7,464
Income tax expense	588	280
Profit from continued operations after tax	-5,963	-7,744
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-5,963	-7,744
Other comprehensive income that may not be transferred to the profit in the future		
Cost of buyback of treasury shares	-	-
Other comprehensive income that may be transferred to the profit in the future		
Exchange rate differences from translation	6	-17
Total comprehensive income	-5,957	-7,761
Net profit attributable to		
shareholders of the parent company	-5,963	-7,744
non-controlling interests	-	-
	-5,963	-7,744
Total comprehensive income attributable to		
shareholders of the parent company	-5,957	-7,761
non-controlling interests	-	-
	-5,957	-7,761

	Unit	H1 2019	H1 2018
Annualized profit/(loss)	PLN thousand	-19,365	-13,411
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.41	-0.29
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.41	-0.29

Consolidated statement of financial position as at 30 June 2019

Amounts in PLN thousand (PLN '000)

Assets	30.06.2019	31.12.2018
Non-current assets		
Goodwill	18,851	18,851
Intangible assets	2,069	2,423
Property, plant and equipment	73,841	79,183
Right of use	4,141	-
Other financial assets	145	145
Deferred tax assets	3,842	4,684
Total non-current assets	102,889	105,286
Current assets		
Inventory	69,573	76,041
Trade and other receivables	25,497	20,614
Receivables from current income tax	169	521
Cash and cash equivalents	9,563	8,162
Other current assets	1,080	730
Total current assets	105,882	106,068
Fixed assets classified as held for sale in accordance with IFRS 5	2,883	2,995
Total assets	211,654	214,349

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Consolidated statement of financial position as at 30 June 2019 (contd.)

Amounts in PLN thousand (PLN `000)

Equity and liabilities	30.06.2019	31.12.2018
Equity		
Share capital	46,894	46,894
Capital reserves	96,929	114,171
Revaluation reserve	-	-
Exchange rate differences from translation	10	4
Reserve capital	7,136	8,719
Retained earnings	-8,936	-20,942
Equity attributable to shareholders of the parent company	142,033	148,846
Non-controlling interests	-	-
Total equity	142,033	148,846
Non-current liabilities		
Borrowings	-	-
Lease liabilities	2,291	-
Provision for deferred income tax	1,561	2,005
Provision for employee benefits	24	24
Total non-current liabilities	3,876	2,029
Current liabilities		
Trade and other payables	22,443	20,294
Current tax liability	47	10
Borrowings	36,031	37,949
Other financial liabilities*	624	259
Lease liabilities	1,985	-
Provision for employee benefits	1,421	1,227
Other provisions	3,194	3,735
Total current liabilities	65,745	63,474
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	69,621	65,503
Total equity and liabilities	211,654	214,349
Book value (in PLN thousand)	142,554	148,846
Number of shares (in thousand shares)	46,894	46,894
Book value per share (in PLN)	3.03	3.17
Diluted number of shares (in thousand shares)*	46,894	46,894
Diluted book value per share (in PLN)	3.03	3.17

*Factoring agreement concluded by a subsidiary

Consolidated cash flow statement

for the period from 1 January 2019 to 30 June 2019

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
<u>Operating activities</u>		
Net profit/(loss)	-5,963	-7,744
Amortization and depreciation	7,568	7,036
Interest revenue and expenses	763	1,083
Exchange rate gains/(losses)	-59	-148
Gain/(loss) on disposal of intangible and tangible non-current assets	64	-28
Movement in provisions, write-downs, prepayments and accruals	-697	-4,335
Income tax expense	588	280
Other adjustments	-	-
Cash flow from operations before movements in working capital	2,264	-3,856
Movement in inventory	6,467	-9,408
Movement in receivables	-5,118	121
Movement in liabilities	3,136	6,186
Cash flow from operations before tax	6,749	-6,957
Interest received from operating activities	-	-
Interest paid on operating activities	-3	-1
Income tax paid	19	-692
Net cash from operating activities	6,765	-7,650
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	8	5
Purchase of property, land and equipment and intangible assets	-2,691	-1,974
Net cash from investing activities	-2,683	-1,969

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Consolidated cash flow statement for the period from 1 January 2019 to 30 June 2019 (contd.)

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
<u>Financing activities</u>		
Proceeds from borrowings	111	9,712
Inflows from other sources of funding*	364	-
Dividends paid to shareholders of the parent company	-	-
Repayment of borrowings	-1,980	-2,239
Repayment of other sources of funding*	-	-337
Lease liabilities paid	-416	-
Interest paid pertaining to financing activities	-778	-833
Net cash from financing activities	-2,699	6,303
Net cash from financing activities	1,383	-3,316
Cash and cash equivalents at the beginning of the period	8,162	13,623
Exchange rate differences	18	202
Cash and cash equivalents at the end of the period	9,563	10,509
<u>Structure of cash and cash equivalents:</u>		
Unrestricted cash	8,123	10,292
Restricted cash	1,440	217
	9,563	10,509

*pertains to a factoring agreement concluded by a subsidiary

Consolidated statement of changes in equity

for the period from 1 January 2019 to 30 June 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	Exchange rate 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
Total comprehensive income*	-	-	-17	-	-	-	-7,744	-7,761	-	-7,761
Coverage of loss from previous years	-	-2,821	-	-	-	-	2,821	-	-	-
Distribution of profit from previous years	-	188	-	-	-	-	-188	-	-	-
Payment of dividend	-	-2,344	-	-	-	-	-	-2,344	-	-2,344
As at 30 June 2018	46,894	117,169	-2	8,719	-	-	-10,538	162,242	-	162,242
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	-	-	-	-	-	-	-857	-857	-	-857
As at 1 January 2019 after transformation	46,894	114,171	4	8,719	-	-	-21,799	147,989	-	147,989
Total comprehensive income*	-	-	6	-	-	-	-5,963	-5,957	-	-5,957
Coverage of loss from previous years	-	-17,587	-	-1,584	-	-	19,171	-	-	-
Distribution of profit from previous years	-	345	-	-	-	-	-345	-	-	-
Payment of dividend	-	-	-	-	-	-	-	-	-	-
As at 30 June 2019	46,894	96,929	10	7,135	-	-	-8,936	142,032	-	142,032

*After H1 2019, the amounts of comprehensive income were allocated to the following equity items: net loss in the amount of PLN -5,963 thousand decreased the amount of retained earnings, exchange rate differences from translation in the amount of PLN 6 thousand increased the relevant capital item. After H1 2018, the amounts of comprehensive income were allocated to the following equity items: net loss in the amount of PLN -7,744 thousand decreased the amount of retained earnings, exchange rate differences from translation in the amount of PLN 17 thousand decreased the relevant capital item.

Financial highlights

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

- as regards balance sheet data, the average exchange rates of the NBP were used: 4.30 PLN/EUR as at 31 December 2018 and 4.252 PLN/EUR as at 30 June 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, were used: 4.2395 PLN/EUR in H1 2018; 4.288 PLN/EUR in H1 2019.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.7597 PLN/USD as at 31 December 2018 and 3.7336 PLN/USD as at 30 June 2019.

Consolidated data	in PLN thousand		in EUR thousand	
	H1 2019	2018 (comparative data)**	H1 2019	2018 (comparative data)**
I. Net sales	76,224	75,246	17,776	17,749
II. Profit/(loss) from operating activities	-4,378	-6,323	-1,021	-1,491
III. Profit/(loss) before tax	-5,375	-7,464	-1,253	-1,761
IV. Net profit/(loss)	-5,963	-7,744	-1,391	-1,827
V. Net cash flows from operating activities	6,765	-7,650	1,578	-1,804
VI. Net cash flows from investing activities	-2,683	-1,969	-626	-464
VII. Net cash flows from financing activities	-2,699	6,303	-629	1,487
VIII. Net cash flows (in total)*	1,401	-3,114	327	-735
IX. Total assets	211,654	214,349	49,777	49,849
X. Liabilities and provisions for liabilities	69,621	65,503	16,374	15,233
XI. Non-current liabilities	3,876	2,029	912	472
XII. Current liabilities	65,745	63,474	15,462	14,762
XIII. Equity	142,033	148,846	33,404	34,615
XIV. Share capital	46,894	46,894	11,029	10,906
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.41	-0.29	-0.10	-0.07
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.41	-0.29	-0.10	-0.07
XVIII. Book value per share (in PLN/EUR)	3.03	3.17	0.71	0.74
XIX. Diluted book value per share (in PLN/EUR)	3.03	3.17	0.71	0.74
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

**In the case of balance sheet items, comparative data relate to the balance as at 31 December 2018, while in the case of the other items, comparative data relate to H1 2018.

Additional Information

to the condensed consolidated semi-annual financial statements for the period from 1 January 2019 to 30 June 2019

1. Principles adopted in the preparation of the condensed consolidated semi-annual 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 company.

The books of Ceramika Gres SA subsidiary are kept based on the same accounting principles as those applicable to the parent company. The books 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 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 consolidated semi-annual 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, except for changes resulting from the introduction of new standards (for more details see section **Błąd! Nie można odnaleźć źródła odwołania.**).

These condensed consolidated semi-annual financial statements have been prepared with the assumption that the companies forming the Group would continue their business in the foreseeable future. As at the date of the approval of these financial statements for publication, the Management Board upholds its position expressed in the annual financial statements for 2018 as regards "Going concern principle". Although the financial results are worse than those expected in the Group's budget for 2019, the downward trend in sales was stopped as well as positive EBITDA and positive operating flow were generated in H1, which makes it possible to systematically reduce the debt of the whole 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.

In the description of the Group's structure presented in the financial statements for 2018, the following information needs to be corrected. Ceramika Nova Sp. z o.o. was entered in the commercial register pursuant to legal provisions in force since 1 January 2001. As it had not submitted a motion to the National Court Register by 31 December 2015, it was deemed to have been removed from the register as at 1 January 2016. Shares in this company did not have any carrying value.

2. Change in the accounting policies concerning IFRS 16 "Lease"

Starting from 1 January 2019, accounting principles provided for in the new IFRS 16 were applied for the first time. In accordance with its requirements, the statement of financial position includes new items: in assets – right of use, in equity and liabilities – lease liability. Depreciation of newly disclosed assets directly affects the result of the period or the cost of production of manufactured products. Interest on liabilities relating to lease directly affect the result of the period through the financial costs item. The above items relate to concluded lease agreements that in previous years met the definition of operational lease, as well as perpetual usufruct rights which in previous periods were recognized in "property, plant and equipment" under the "land" item and were depreciated. The most important groups of agreements classified as lease include rental of warehouse and office space, rental of passenger cars and forklifts, as well as perpetual usufruct rights held by the Group.

For the first-time adoption, the simplified method was used, without having to transform comparative data. The cumulative effect of the first-time application of this standard (regards a change in the presentation of the perpetual usufruct right) was presented as an adjustment to the opening balance of retained earnings from previous years as at the date of transition, i.e. 1 January 2019 – the amount by which equity was decreased in this respect is PLN 857 thousand.

The most significant amounts (apart from those presented directly in the statement of financial position and the cash flow statement) related to the first-time adoption of the new IFRS 16 that affected the consolidated financial statements for H1 2019 include:

- depreciation of the right of use: PLN 929 thousand;
- interest on lease shown in finance costs, in the statement of profit and loss and other comprehensive income: PLN 82 thousand;
- rent fees for short-term lease agreements not classified as lease agreements: PLN 441 thousand;
- flat-rate ongoing service costs relating to lease agreements that were not accounted for in the measurement of lease liabilities: PLN 226 thousand.

If the financial statements for H1 2019 had been drawn up in accordance with the principles applicable before the new IFRS 16 entered into force, the rental costs would have been PLN 979 thousand.

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 is usually recorded in summer months.

4. Impact of unusual events on the financial statements

- Due to production downtime, the profit was lower by PLN 7,399 thousand. In the same period of 2018, this figure was PLN 4,172 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 6.508 thousand;
- utilizing the provision for liabilities: PLN 6.855 thousand;
- increasing the provision for deferred income tax: PLN 2 thousand;
- utilizing the provision for deferred income tax: PLN 445 thousand;
- increasing deferred income tax assets: PLN 753 thousand;
- utilizing or reversing deferred income tax assets: PLN 1,594 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	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenue	59,083	58,754	17,141	16,492	76,224	75,246
Cost of sales	47,580	41,775	13,033	12,262	60,613	54,037
Sales result	11,503	16,979	4,108	4,230	15,611	21,209
Unallocated costs					-1,454	4,390
Gross profit					17,065	16,819
Assets	30.06. 2019	31.12. 2018	30.06. 2019	31.12. 2018	30.06. 2019	31.12. 2018
Trade receivables	15,484	12,127	5,990	5,054	21,474	17,181
Other receivables (unallocated)					4,023	3,433
					25,497	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 any non-current 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 traded on TGE.

Amounts in PLN thousand (PLN '000)

	CERAMIC PRODUCTS		OTHER SALES		TOTAL	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018

Revenue from sales to external customers	75,031	74,691	1,193	555	76,224	75,246
Purchase of non-current assets	2,328	2,945	-	-	2,328	2,945

6.3. Information on significant customers

In H1 2019, sales to none of the Group's customers exceeded 10% of consolidated revenue from sales.

7. 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 9,100 thousand.

8. Loan agreements concluded in H1 2019

8.1. Loans contracted by Ceramika Nowa Gala SA

8.1.1. Annexes 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.

On 19 June 2019, Ceramika Nowa Gala SA signed another annex to the loan agreement with mBank SA to extend the deadline for loan repayment from 27 June 2019 to 29 June 2020. The other loan conditions remained unchanged.

8.1.2. Annex to the revolving loan agreement concluded with mBank SA on 28 October 2002

On 19 June 2019, Ceramika Nowa Gala SA signed an annex to the loan agreement with mBank SA to extend the deadline for loan repayment from 28 June 2019 to 30 June 2021, while reducing the funding level from PLN 2,840 thousand to PLN 2,200 thousand and increasing the bank's margin from 1.3 p.p. to 1.63 p.p. The annex specifies regular monthly debt repayments of PLN 50 thousand. Previously, the loan agreement provided for quarterly repayments of PLN 100 thousand. Reduction in the funding level is related to the reduction in the Group's debt.

8.2. Loans contracted by Ceramika Gres SA subsidiary

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

On 7 January 2019, another annex was signed to successively reduce the existing credit limit to PLN 26,000. The repayment deadline remained unchanged but the margin increased from 0.8 p.p. to 1.6 p.p. Reduction in the funding level is related to the reduction in debt.

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

On 23 April 2019, Ceramika Gres SA subsidiary 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. Position of the Management Board concerning the fulfilment of earnings guidance for 2019

The Company did not publish any earnings guidance for 2019.

10. Infringing the terms and conditions applicable to selected financial indicators arising from loan agreements

Each bank loan can be repaid at an earlier date. Banks have the right to demand earlier repayment of loans, increase the margins and demand additional collateral in the event of a breach by a company of the Group of the material conditions of loan agreements or deterioration in the company's standing putting loan repayment at risk.

As regards the loans granted to Ceramika Nowa Gala SA, the following indicators specified by the bank were not achieved as at the balance sheet date:

- EBITDA to sales revenue – in the case of loans granted by mBank SA;
- net liabilities to generated EBITDA – in the case of the loans granted by mBank SA;
- debt coverage – in the case of the loans granted by Pekao SA.

In the case of Ceramika Gres SA the specified level of interest-bearing debt in relation to EBITDA calculated based on consolidated data was not achieved.

Loans for which covenants were not fulfilled, irrespective of the repayment deadline specified in the agreement, were posted to current liabilities. The Group believes that all the loans that need to be renewed in the next 12 months will be renewed, as was the case in earlier periods, but it does not rule out changing the financing bank and decreasing the funding level.

11. Extension of the composition of the Issuer's Management Board

At its meeting on 23 April 2019, the Supervisory Board resolved to extend the composition of the Management Board of the present term of office from two to three members and appoint Mr Tomasz Stepek Member of the Issuer's Management Board as at 1 May 2019.

Signatures

These financial statements were drawn up and signed on **30 August 2019** and will be published on 30 August 2019.

Waldemar Piotrowski -
President of the Management Board

Paweł Górnicki -
Deputy President of the Management Board

Tomasz Stepek –
Member of the Management Board

Zbigniew Polakowski -
Chief Accountant

Separate statement of profit and loss and other comprehensive income

for the period from 1 January 2019 to 30 June 2019

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
Revenue	59,406	56,105
Cost of sales	51,345	48,025
Gross profit	8,061	8,081
Other income	4	5
Selling and administrative expenses	14,313	15,259
Other operating expenses	109	1,126
Profit before interest and tax	-6,357	-8,298
Finance income*	24	2,449
Finance expenses	432	697
Profit from continued operations before tax	-6,765	-6,546
Income tax expense	241	109
Profit from continued operations after tax	-7,006	-6,654
Profit from discontinued operations after tax	-	-
Net profit/(loss)	-7,006	-6,654
Other comprehensive income – none		
Total comprehensive income	-7 006	-6 654

*The amount of a dividend from Ceramika Gres SA subsidiary

	Unit	H1 2019	H1 2018
Annualized profit/(loss)	PLN thousand	-18,753	-13,818
Weighted average number of shares	thousand shares	46,894	46,894
Basic earnings/(loss) per share from continued operations	PLN	-0.40	-0.29
Weighted average diluted number of shares	thousand shares	46,894	46,894
Diluted earnings/(loss) per share from continued operations	PLN	-0.40	-0.29

Separate statement of financial position as at 30 June 2019

Amounts in PLN thousand (PLN '000)

Assets	30.06.2019	31.12.2018
Non-current assets		
Intangible assets	616	681
Property, plant and equipment	39,276	42,875
Right of use	3,573	-
Investment in related parties	58,514	58,524
Other financial assets	145	145
Deferred tax assets	2,558	2,963
Total non-current assets	104,682	105,188
Current assets		
Inventory	47,678	56,833
Trade and other receivables	13,245	10,981
Receivables from current income tax	-	-
Other financial assets	-	-
Cash and cash equivalents	3,912	2,314
Other current assets	817	560
Total current assets	65,652	70,688
Fixed assets classified as held for sale in accordance with IFRS 5	2,883	2,995
Total assets	173,217	178,871

(continued on the next page)

Separate statement of financial position as at 30 June 2019 (contd.)

Amounts in PLN thousand (PLN '000)

Equity and liabilities	30.06.2019	31.12.2018
Equity		
Share capital	46,894	46,894
Capital reserves	95,712	114,184
Revaluation reserve	-	-
Reserve capital	-	-
Treasury shares	-	-
Retained earnings	-7,862	-18,471
Total equity	134,744	142,607
Non-current liabilities		
Borrowings	-	-
Lease liabilities	1,932	-
Provision for deferred income tax	94	259
Provision for employee benefits	-	-
Other provisions	-	-
Total non-current liabilities	2,026	259
Current liabilities		
Trade and other payables	22,103	20,871
Current tax liability	-	-
Borrowings	9,065	11,094
Lease liabilities	1,772	0
Provision for employee benefits	1,021	988
Other provisions	2,486	3,052
Total current liabilities	36,447	36,005
Liabilities associated with assets classified as held for sale in accordance with IFRS 5	-	-
Total liabilities	38,473	36,264
Total equity and liabilities	173,217	178,871

	Unit	30.06.2019	31.12.2018
Book value	PLN thousand	134,744	142,607
Number of shares	thousand shares	46,894	46,894
Book value per share	PLN thousand	2.87	3.04
Diluted number of shares	thousand shares	46,894	46,894
Diluted book value per share	PLN	2.87	3.04

Separate cash flow statement

for the period from 1 January 2019 to 30 June 2019

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
<u>Operating activities</u>		
Net profit/(loss)	-7,006	-6,654
Amortization and depreciation	5,183	4,947
Dividend income	-	-2,155
Interest revenue and expenses	248	182
Exchange rate gains/(losses)	-24	-8
Gain/(loss) on disposal of intangible and tangible non-current assets	31	-72
Movement in provisions, write-downs, prepayments and accruals	-787	-2,511
Income tax expense	241	109
Other adjustments	79	163
Cash flow from operations before movements in working capital	-2,035	-5,999
Movement in inventory	9,154	-10,377
Movement in receivables	-2,245	-3,848
Movement in liabilities	1,393	14,474
Cash flow from operations before tax	6,267	-5,750
Interest received from operating activities	-	-
Interest paid on operating activities	-3	-1
Income tax paid	-	-
Net cash from operating activities	6,264	-5,751
<u>Investing activities</u>		
Proceeds from disposal of tangible and intangible non-current assets	14	59
Received loan and subsidy repayments		991
Interest received on investing activities		34
Dividends received	-	-
Purchase of property, plant and equipment and intangible assets	-2,068	-1,888
Loans granted	-86	-126
Net cash from investing activities	-2,140	-930

(continued on the next page)

Separate cash flow statement (contd.)

Amounts in PLN thousand (PLN '000)

	H1 2019	H1 2018
<u>Financing activities</u>		
Proceeds from borrowings	-	7,618
Dividends to shareholders of the parent company	-	-
Repayment of borrowings	-1,981	-1,248
Lease liabilities paid	-283	-
Interest paid pertaining to financing activities	-245	-182
Net cash from financing activities	-2,509	6,188
Net cash from financing activities	1,615	-493
Cash and cash equivalents at the beginning of the period	2,314	6,111
Exchange rate differences	-17	62
Cash and cash equivalents at the end of the period	3,912	5,680
<u>Structure of cash and cash equivalents</u>		
Unrestricted cash	3,786	5,615
Restricted cash	126	64
	3,912	5,680

Separate statement of changes in equity for the period from 1 January 2019 to 30 June 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
Total comprehensive income*	-	-	-	-	-	-6,654	-6,654
Coverage of loss from previous years	-	-6,567	-	-	-	6,567	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Payment of dividend	-	-2,345	-	-	-	-	-2,345
Effects of the merger of CNGSA and CNGII	-	-2,485	-	-	-	2,485	-
As at 30 June 2018	46,894	114,106	-	-	-	-6,725	154,276
As at 1 January 2019	46,894	114,184	-	-	-	-18,471	142,607
Effects of changes to the accounting policies	-	-	-	-	-	-857	-857
As at 1 January 2019 after transformation	46,894	114,184	-	-	-	-19,328	141,750
Total comprehensive income*	-	-	-	-	-	-7,006	-7,006
Coverage of loss from previous years	-	-18,472	-	-	-	18,472	-
Distribution of profit from previous years	-	-	-	-	-	-	-
Payment of dividend	-	-	-	-	-	-	-
As at 30 June 2019	46,894	95,172	-	-	-	-7,862	134,744

*The amount of total comprehensive income for H1 2019 includes only net loss of PLN 7,006 thousand. The amount of total comprehensive income for H1 2018 includes only net loss of PLN 6,654 thousand.

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: 4.30 PLN/EUR as at 31 December 2018 and 4.252 PLN/EUR as at 30 June 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, were used: 4.2395 PLN/EUR in H1 2018; 4.288 PLN/EUR in H1 2019.

The average exchange rates of the NBP for USD, used for translating the monetary items, were as follows: 3.7597 PLN/USD as at 31 December 2018 and 3.7336 PLN/USD as at 30 June 2019.

Separate data	in PLN thousand		in EUR thousand	
	H1 2019	2018 (comparative data)*	H1 2019	2018 (comparative data)*
I. Net sales	59,406	56,105	13,854	13,234
II. Profit/(loss) from operating activities	-6,357	-8,298	-1,483	-1,957
III. Profit/(loss) before tax	-6,765	-6,546	-1,578	-1,544
IV. Net profit/(loss)	-7,006	-6,654	-1,634	-1,570
V. Net cash flows from operating activities	6,264	-5,751	1,461	-1,357
VI. Net cash flows from investing activities	-2,140	-930	-499	-219
VII. Net cash flows from financing activities	-2,509	6,188	-585	1,460
VIII. Net cash flows (total)	1,598	-431	373	-102
IX. Total assets	173,217	178,871	40,738	41,598
X. Liabilities and provisions for liabilities	38,473	36,264	9,048	8,433
XI. Non-current liabilities	2,026	259	476	60
XII. Current liabilities	36,447	36,005	8,572	8,373
XIII. Equity	134,744	142,607	31,690	33,164
XIV. Share capital	46,894	46,894	11,029	10,906
XV. Number of shares	46,893,621	46,893,621	-	-
XVI. Profit/(loss) per share (in PLN/EUR)	-0.40	-0.29	-0.09	-0.07
XVII. Diluted profit/(loss) per share (in PLN/EUR)	-0.40	-0.29	-0.09	-0.07
XVIII. Book value per share (in PLN/EUR)	2.87	3.04	0.68	0.71
XIX. Diluted book value per share (in PLN/EUR)	2.87	3.04	0.68	0.71
XX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

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

**In the case of balance sheet items, comparative data relate to the balance as at 31 December 2018, while in the case of the other items, comparative data relate to H1 2018.

Additional Information

to the condensed separate semi-annual financial statements of Ceramika Nowa Gala SA for the period from 1 January 2019 to 30 June 2019

1. Principles adopted in the preparation of the condensed separate semi-annual report

These condensed separate semi-annual 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, except for changes resulting from the introduction of new standards (see also section **Błąd! Nie można odnaleźć źródła odwołania.** of Additional Information to the consolidated semi-annual financial statements.

These financial statement were prepared with the assumption that the Company would continue its activities in the foreseeable future. As at the date of the approval of these financial statements for publication, the Management Board upholds its position expressed in the annual financial statements for 2018 as regards "Going concern principle". Although the financial results are worse than those expected in the Group's budget for 2019, the downward trend in sales was stopped as well as positive EBITDA and positive operating flow were generated in H1, which makes it possible to systematically reduce the debt of the whole Group.

These condensed separate semi-annual financial statements do not contain all information and disclosures which are required to be included in the separate annual financial statements, hence all information contained herein should be read together with the separate annual financial statements for the financial year which ended on 31 December 2018, prepared in accordance with IFRSs.

2. Change in the accounting policies concerning IFRS 16 "Lease"

Starting from 1 January 2019, accounting principles provided for in the new IFRS 16 were applied for the first time. In accordance with its requirements, the statement of financial position included new items relating to lease. Depreciation of newly disclosed assets directly affects the result of the period or the cost of production of manufactured products. Interest on liabilities relating to lease directly affect the result of the period through the "finance costs" item. The above items relate to concluded lease agreements that in previous years met the definition of operational lease as well as perpetual usufruct rights which in previous periods were recognized in "property, plant and equipment" under the "land" item and were depreciated. The most important groups of agreements classified as lease include rental of warehouse and office space, rental of passenger cars and forklifts, as well as perpetual usufruct rights held by the Company.

For the first-time adoption, the simplified method was used, without having to transform comparative data. The cumulative effect of the first-time application of this standard (regards a change in the presentation of the perpetual usufruct right) was presented as an adjustment to the opening balance of retained earnings from previous years as at the date of transition, i.e. 1 January 2019 – the amount by which equity was decreased in this respect is PLN 857 thousand.

The most significant amounts (apart from those presented directly in the statement of financial position and the cash flow statement) related to the first-time adoption of the new IFRS 16 that affected the financial statements for H1 2019 include:

- depreciation of the right of use: PLN 788 thousand;
- interest on lease shown in finance costs, in the statement of profit and loss and other comprehensive income: PLN 69 thousand;

- rent fees for short-term lease agreements not classified as lease agreements: PLN 399 thousand;
- flat-rate ongoing service costs relating to lease agreements that were not accounted for in the measurement of lease liabilities: PLN 209 thousand.

If the financial statements for H1 2019 had been drawn up in accordance with the principles applicable before the new IFRS 16 entered into force, the rental costs would have been PLN 833 thousand.

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 is usually recorded in summer months.

4. Impact of unusual events on the financial statements

- Due to production downtime, the profit was lower by PLN 5,429 thousand. In the same period of 2018, this figure was PLN 2,325 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 4,795 thousand;
- utilizing the provision for liabilities: PLN 5,328 thousand;
- utilizing the provision for deferred income tax: PLN 164 thousand;
- increasing deferred income tax assets: PLN 733 thousand;
- utilizing or reversing deferred income tax assets: PLN 1,138 thousand.

6. Business segments

Ceramika Nowa Gala SA publishes consolidated financial statements for H1. Therefore, information concerning business segments is provided with respect to consolidated data only.

7. 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 9,100 thousand.

8. Loan agreements concluded in H1 2019

7.1. 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.

On 19 June 2019, Ceramika Nowa Gala SA signed another annex to the loan agreement with mBank SA to extend the deadline for loan repayment from 27 June 2019 to 29 June 2020.

The other loan conditions remained unchanged.

7.2. Annex to the revolving loan agreement concluded with mBank SA on 28 October 2019

On 19 June 2019, Ceramika Nowa Gala SA signed an annex to the loan agreement with mBank SA to extend the deadline for loan repayment from 28 June 2019 to 30 June 2021, while reducing the funding level from PLN 2,840 thousand to PLN 2,200 thousand and increasing the bank's margin from 1.3 p.p. to 1.63 p.p. The annex specifies regular monthly debt repayments of PLN 50 thousand. Previously the loan agreement provided for quarterly repayments of PLN 100 thousand. Reduction in the funding level is related to the reduction in the Group's debt.

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

The Company did not publish any earnings guidance for 2019.

10. Infringing the terms and conditions applicable to selected financial indicators arising from loan agreements

Each bank loan can be repaid at an earlier date. Banks have the right to demand earlier repayment of loans, increase the margins and demand additional collateral in the event of a breach by the Company of the material conditions of loan agreements or deterioration in the Company's standing putting loan repayment at risk.

As regards the loans granted to Ceramika Nowa Gala SA, the following indicators specified by the bank were not achieved as at the balance sheet date:

- EBITDA to sales revenue – in the case of the loans granted by mBank SA;
- net liabilities to generated EBITDA – in the case of the loans granted by mBank SA;
- debt coverage – in the case of the loans granted by Pekao SA.

Loans for which covenants were not fulfilled, irrespective of the repayment deadline specified in the agreement, were posted to current liabilities. The Company believes that all the loans that need to be renewed in the next 12 months will be renewed, as was the case in earlier periods, but it does not rule out changing the financing bank and decreasing the funding level.

11. Change in the composition of the Issuer's Management Board

At its meeting on 23 April 2019, the Supervisory Board resolved to extend the composition of the Management Board of the present term of office from two to three members and appoint Mr Tomasz Stepek Member of the Issuer's Management Board as at 1 May 2019.

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

No major events occurred after the balance sheet date.

Signatures

These financial statements were drawn up and signed on **30 August 2019** and will be published on 30 August 2019.

Waldemar Piotrowski –
President of the Management Board

Paweł Górnicki -
Deputy President of the Management Board

Tomasz Stepek –
Member of the Management Board

Zbigniew Polakowski – Chief Accountant



**Semi-annual report on operations of the
Group for which**

**Ceramika Nowa Gala SA is
its parent company**

for the period from 1 January 2019 to 30 June 2019

Końskie, 30 August 2019

1. Principles adopted in the preparation of the condensed consolidated semi-annual financial statements and the description of the organizational structure of the Company's Group

Principles adopted in the preparation of the condensed consolidated semi-annual financial statements and the description of the organizational structure of the Company's Group are included in section **Błąd! Nie można odnaleźć źródła odwołania.** of Additional Information to the condensed consolidated semi-annual financial statements.

2. Change in the composition of the Issuer's Management Board

The change in the composition of the Issuer's Management Board is described in section **Błąd! Nie można odnaleźć źródła odwołania.** of Additional Information to the condensed consolidated semi-annual financial statements.

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

The Company did not publish any earnings guidance for 2019.

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

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

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otwarty Fundusz Emerytalny	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 Q1 2019 published on 7 May 2019.

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%
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%
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%

5. Changes in the ownership of the Company's shares held by its managing and supervisory persons or the rights to these shares these persons have

According to information received by the Company, in the period from the publication of the latest quarterly report to the date of this Report, a change resulting from the number of shares acquired by Mr Tomasz Stepek, a new member of the Management Board, was accounted for. 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 Tomasz Stepek, member of the Management Board, holds: 250,000 shares of the Company, representing 0.50% of the share capital and authorizing their holder to the same number of votes at the General Meeting of Shareholders.

6. Information on major proceedings pending before court, an arbitration authority or a public administration authority, regarding liabilities and receivables of the Company or its subsidiary

There are no such proceedings.

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

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

In H1 2019, neither Ceramika Nowa Gala SA nor its subsidiary companies granted any loan

guarantee, loan or credit sureties.

9. 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 difficult for our Group and ended with net loss of PLN 21.1 million. It was partly the result of a 4% (compared to the previous year) decrease in the value of sales. However, the main reason for the deterioration was an increase in operating costs. One-off events also had a negative impact on the result. In response to this situation, the Management Board developed in Q4 2018 and implements a performance improvement plan. The plan provides, among others, for reducing operating costs by approximately PLN 10 million per annum. Furthermore, product prices were increased: on 1 October 2018 and on 1 April 2019. New products continue to be introduced to improve profitability (premium segment) and increase the utilization of production capacity (medium and economic segments). The sales manager has also been changed. On 23 April 2019, the Supervisory Board resolved to extend the Management Board and appointed a new member responsible for sales (for more details see Current Report 5/2019). As a result of actions taken, a 1.3% increase in sales revenues was recorded in H1 2019 compared to the previous year, and the loss was reduced. Moreover, the Group generated in H1 positive EBITDA of PLN 3,190 thousand.

10. 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

Having significantly modernized the production lines in the parent company's plant in 2016–2017, only minor replacement investments using own funds are planned in the near future. As the operating result improves, the Group plans to gradually reduce its owed to financial institutions

11. Factors which the Company believes to affect the financial performance of the Group within at least the next semi-annual period

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

- foreign exchange volatility;
- the ongoing plan to reduce the costs of business;
- increase in electricity cost;
- increase in product prices;
- growth of sales of new product lines;
- change in the sales management principles, including the extension of the Management Board by a person responsible for the Group's sales;
- seasonal increase in sales in Q3 of the year;
- economic slowdown in the main export markets in which the companies of the Group sell their products.

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.

Signatures

These financial statements were drawn up and signed on **30 August 2019** and will be published on 30 August 2019.

Waldemar Piotrowski –
President of the Management Board

Paweł Górnicki -
Deputy President of the Management Board

Tomasz Stepek –
Member of the Management Board

Zbigniew Polakowski – Chief Accountant