



FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

**Extract of consolidated financial report
for the period ended 31.12.2019**

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CONSOLIDATED SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	31.12.2019	31.12.2018 restated	31.12.2019	31.12.2018 restated
Sales revenue	1 176 618	1 107 298	273 518	259 509
Profit on operating activities	84 237	72 503	19 582	16 992
Profit before tax	63 329	45 530	14 722	10 671
Net profit attributable to equity owners of the Parent company	35 230	145 816	8 190	34 174
Total comprehensive income for the period	48 634	88 998	11 306	20 858
Net cash flow from operating activities	198 316	76 804	46 101	18 000
Net cash flow from investment activities	(24 618)	(191 896)	(5 723)	(44 973)
Net cash flow from financial activities	(165 551)	108 728	(38 484)	25 482
Net increase (decrease) in cash and cash equivalents	8 147	(6 364)	1 894	(1 491)
Number of shares	23 930 769	23 930 769	23 930 769	23 930 769
Net profit per share attributable to equity owners of the parent (in PLN/EUR)	1.47	6.09	0.34	1.43
	31.12.2019	31.12.2018 adjusted	31.12.2019	31.12.2018 adjusted
Total assets	1 571 021	1 649 344	368 914	383 568
Total liabilities	789 819	913 422	185 469	212 424
Long-term liabilities	252 854	56 370	59 376	13 109
Short-term liabilities	536 965	857 052	126 093	199 314
Total equity attributable to equity owners of the Parent company	781 185	732 629	183 441	170 379
Share capital	23 931	23 931	5 620	5 565
Book value per share (in PLN/EUR)	32,64	30,61	7,67	7,12

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the period ended	
	31 December 2019	31 December 2018 restated
Continued operations		
Revenue from sales of goods, products and materials	1 171 354	1 101 077
Revenue from sales of services	5 264	6 221
Sales revenue	1 176 618	1 107 298
Cost of sales of sold goods, products and materials	(748 734)	(732 664)
Cost of sales of sold services	(4 472)	(4 128)
Cost of sales	(753 206)	(736 792)
Gross profit from sales	423 412	370 506
Other operating revenue	6 336	5 275
Costs of sales	(260 763)	(238 568)
General administrative costs	(60 808)	(59 342)
Other operating costs	(21 771)	(5 368)
Result on the sale of subsidiaries	(2 169)	-
Profit on operating activities	84 237	72 503
Financial revenue	4 133	3 143
Financial costs	(16 724)	(24 039)
Profit (loss) on derivative financial instruments	(1 779)	(508)
Share in the profit/ loss of investments valued at equity method	(6 538)	(5 569)
Profit before tax	63 329	45 530
Income tax	(28 021)	100 269
Profit on continued operations of the period	35 308	145 799
Profit of the period	35 308	145 799
Attributable to:		
Shareholders of the Parent Company	35 230	145 816
Non-controlling shareholders	78	(17)
Profit on continued operations of the period attributable to shareholders of the Parent Company per share in PLN	1,47	6,09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended	
	31 December 2019	31 December 2018 restated
Profit (loss) of the period	35 308	145 799
Other net comprehensive income, including:	13 326	(56 801)
Items which in the future will not be reclassified to the profit and loss account	9 588	(33 948)
Certificates valuation	12 212	(41 679)
Deferred tax regarding certificates valuation	(2 320)	7 919
Revaluation of employee benefit obligations	(375)	(235)
Deferred tax regarding employee benefits	71	47
Items which in the future may be reclassified to the profit and loss account	3 738	(22 853)
Foreign exchange differences on translation of foreign operations	102	236
Hedge accounting	10 421	(46 208)
Hedge costs	(5 929)	28 034
Deferred tax regarding hedge accounting	(856)	(4 915)
Total comprehensive income for the period	48 634	88 998
Attributable to:		
Shareholders of the Parent Company	48 556	89 015
Non-controlling shareholders	78	(17)

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	31 December 2019	31 December 2018 restated	1 January 2018 restated
ASSETS			
Non-current assets	1 168 776	1 186 369	1 055 155
Tangible fixed assets	876 778	887 094	798 223
Intangible assets	16 857	16 512	16 617
Financial assets	94 963	77 714	120 382
Real estate investment	54 780	73 991	73 270
Assets on deferred tax	111 484	122 309	10 964
Investments valued at equity method	464	-	2 266
Receivables due to financial derivative instruments	13 450	8 749	33 433
Current assets	402 245	462 975	437 845
Inventory	189 196	215 543	170 251
Trade and other receivables	135 373	153 935	185 911
Receivables due to financial derivative instruments	16 924	17 146	18 210
Income tax receivables	1 697	23 368	6 402
Accruals	3 130	6 114	4 004
Financial assets	1 534	307	199
Cash and cash equivalents	54 391	46 562	52 868
TOTAL ASSETS	1 571 021	1 649 344	1 493 000
LIABILITIES			
Total equity	781 202	735 922	646 925
Equity (attributable to shareholders of the Parent Company), including:	781 185	732 629	643 614
Basic equity	23 931	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556	114 556
Exchange differences on translation of foreign operations	15	(87)	(586)
Revaluation reserve from hedging instruments	7 943	(495)	46 479
Hedge cost	12 885	17 687	(6 198)
Other Revaluation reserves	(45 010)	(54 902)	(21 142)
Incentive Scheme	2 354	2 354	2 354
Other reserve capital	484 613	447 132	358 807
Retained earnings	179 898	182 453	125 413
Capital attributable to non-controlling shareholders	17	3 293	3 311
Long-term liabilities	252 854	56 370	562 881
Interest-bearing loans and borrowings	165 661	-	527 749
Payables to units priced at MPW	0	3 430	0
Deferred income tax provision	15 386	3 404	10 234
Provision for benefits after the employment period	4 620	4 067	3 601
Deferred revenues and accruals	37 773	39 766	18 771
Financial liabilities due to lease	24 430	969	301
Liabilities due to financial derivative instruments	2 328	1 918	0
Other long-term liabilities	2 656	2 816	2 225
Short-term liabilities	536 965	857 052	283 194
Trade and other liabilities	162 325	165 546	231 611
Contract liabilities	640	700	1 125
Current portion of interest-bearing loans and borrowings	365 378	683 398	45 291
Deferred revenues and accruals	2 059	2 126	280
Provisions	2 994	2 808	2 716
Financial liabilities due to lease	2 123	632	679
Liabilities due to financial derivative instruments	1 446	1 842	1 492
Total liabilities	789 819	913 422	846 075
TOTAL LIABILITIES	1 571 021	1 649 344	1 493 000

CONSOLIDATED CASH FLOW STATEMENT

	For the period ended	
	31 December 2019	31 December 2018 restated
Cash flows from operating activities		
Profit (loss) of the period	35 230	145 816
Adjustments by:	163 086	(69 012)
Share in the profit/ loss of investments valued at equity method	6 538	5 569
(Profit)/loss of non-controlling shareholders	78	(17)
Depreciation	57 074	44 989
Foreign exchange (gains)/losses	(3 801)	11 407
Net interest and dividends	13 866	12 270
(Profit)/loss on investment activities	2 049	114
Change in the valuation of derivative financial instruments	27	30
Change in receivables	18 526	27 180
Change in inventories	21 282	(45 292)
Change in liabilities, excluding loans and borrowings	5 741	335
Change in accruals and deferrals	869	(3 575)
Change in provisions	588	(111 611)
Income tax paid	13 405	(21 232)
Current tax recognised in the profit and loss account	28 021	11 076
Foreign exchange differences	(58)	92
Provision for retirement benefits	(304)	(188)
Valuation of the real estate investment	(734)	(281)
Other adjustments	(81)	122
Net cash flows from operating activities	198 316	76 804
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	478	669
Inflows from the sale of subsidiaries	12 125	-
Purchase of tangible fixed assets and intangible assets	(23 689)	(193 822)
Real property investments	(3)	(440)
Purchase of financial assets	(14 682)	(206)
Dividends received	331	296
Interest received	1 963	1 607
Borrowings granted	(1 141)	-
Net cash flows from investing activities	(24 618)	(191 896)
Cash flows from financing activities		
Inflows from loans and borrowings taken out	-	213 066
Repayment of loans and borrowings	(147 087)	(112 728)
Repayment of leasing liabilities	(3 028)	(680)
Interest paid	(15 436)	(15 236)
Subsidies	-	24 306
Net cash flows from financial activities	(165 551)	108 728
Net increase (decrease) in cash and cash equivalents	8 147	(6 364)
Net foreign exchange differences (from the opening balance translation)	(318)	58
Opening balance of cash	46 562	52 868
Closing balance of cash, including:	54 391	46 562
of limited disposability	51	168

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

Attributable to the shareholders of the Parent Company												
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total	Foreign exchange differences on consolidation Equity of non-controlling interest	Other revaluation reserve Total equity
As at 1 January 2019	23 931	114 556	(87)	(54 902)	2 354	60 144	(495)	17 687	447 132	732 629	3 293	613 613
Changes in Accounting Principles (Policy) IFRS 12	-	-	-	-	-	122 309	-	-	-	-	-	122 309
As at 1 January 2019 after adjustments	23 931	114 556	(87)	(54 902)	2 354	182 453	(495)	17 687	447 132	732 629	3 293	735 922
Impairment of retained earnings to reserve capital	-	-	-	-	-	2 534	-	-	(2 534)	-	-	-
Reclassification to reserve capital	-	-	-	-	-	(40 015)	-	-	40 015	-	-	-
Payment of dividend for 2018	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Sale of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	(3 353)	(3 353)
Provision for benefits after the employment period	-	-	-	-	-	(304)	-	-	-	(304)	-	(304)
Current result	-	-	-	-	-	35 230	-	-	-	35 230	78	35 308
Hedge cost for the period	-	-	-	-	-	-	-	3 304	-	3 304	-	3 304
Amount reclassified to sale revenue	-	-	-	-	-	-	(8 409)	(9 233)	-	(17 642)	-	(17 642)
Hedge accounting	-	-	-	-	-	-	18 830	-	-	18 830	-	18 830
Deferred tax regarding hedge accounting	-	-	-	-	-	-	(1 983)	1 127	-	(856)	-	(856)
Investment Certificates	-	-	-	9 892	-	-	-	-	-	9 892	-	9 892
Foreign exchange differences	-	-	102	-	-	-	-	-	-	102	-	102
Comprehensive income for the period	-	-	102	9 892	-	34 926	8 438	(4 802)	-	48 556	78	48 634
As at 31 December 2019	23 931	114 556	15	(45 010)	2 354	179 898	7 943	12 885	484 613	781 185	17	781 202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Attributable to the shareholders of the Parent Company										Foreign exchange differences on consolidation Equity of non-controlling interest	Other revaluation reserve Total equity
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total		
As at 1 January 2018 adjusted	23 931	114 556	(586)	(21 142)	2 354	108 251	46 479	-	358 807	632 650	3 311	635 961
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	6 198	-	(6 198)	-	-	-	-
As at 1 January 2018 after adjustments	23 931	114 556	(586)	(21 142)	2 354	114 449	46 479	(6 198)	358 807	632 650	3 311	635 961
Increase of capital due to incentives program	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Impairment of retained earnings to reserve capital	-	-	-	-	-	(88 325)	-	-	88 325	-	-	-
Provision for benefits after the employment period	-	-	-	-	-	(188)	-	-	-	(188)	-	(188)
Current result	-	-	-	-	-	34 471	-	-	-	34 471	(17)	34 454
Hedge cost for the period	-	-	-	-	-	-	-	24 867	-	24 867	-	24 867
Amount reclassified to sale revenue	-	-	-	-	-	-	7 981	3 166	-	11 147	-	11 147
Hedge accounting	-	-	-	-	-	-	(54 189)	-	-	(54 189)	-	(54 189)
Deferred tax regarding hedge accounting	-	-	-	-	-	-	(766)	(4 149)	-	(4 915)	-	(4 915)
Investment Certificates	-	-	-	(33 760)	-	-	-	-	-	(33 760)	-	(33 760)
Foreign exchange differences	-	-	499	-	-	(263)	-	-	-	236	-	236
Comprehensive income for the period	-	-	499	(33 760)	-	34 020	(46 974)	23 885	-	(22 390)	(17)	(22 347)
As at 31 December 2018	23 931	114 556	(87)	(54 902)	2 354	60 144	(495)	17 687	447 132	610 260	3 293	613 613

Commentary to the Group results and basic economic-financial amounts**Financial data of the Fabryki Mebli „FORTE” S.A. Group**

Item	2019	2018 restated	2018 published	% change 2019/2018 restated
Sales revenue	1 176 618	1 107 298	1 107 298	6.3%
Cost of sales	(753 206)	(736 792)	(736 792)	2.2%
Gross profit on sales	423 412	370 506	370 506	14.3%
Gross margin on sales %	36.0%	33.5%	33.5%	
Selling costs	(260 763)	(238 568)	(238 568)	9.3%
G&A costs	(60 808)	(59 342)	(59 342)	2.5%
Operating profit (EBIT)	84 237	72 503	72 503	16.2%
EBITDA	141 311	117 492	117 492	20.3%
Share in profit/loss of subsidiaries valued under the equity method	(6 538)	(5 569)	(5 569)	17.4%
Gross profit	63 329	45 530	45 530	39.1%
Net profit	35 308	145 799	34 454	(75.8%)
Net profit margin	3.0%	13.2%	3.1%	
Return on equity (ROE)	4.5%	19.8%	5.6%	
Return on assets (ROA)	2.2%	8.8%	2.3%	

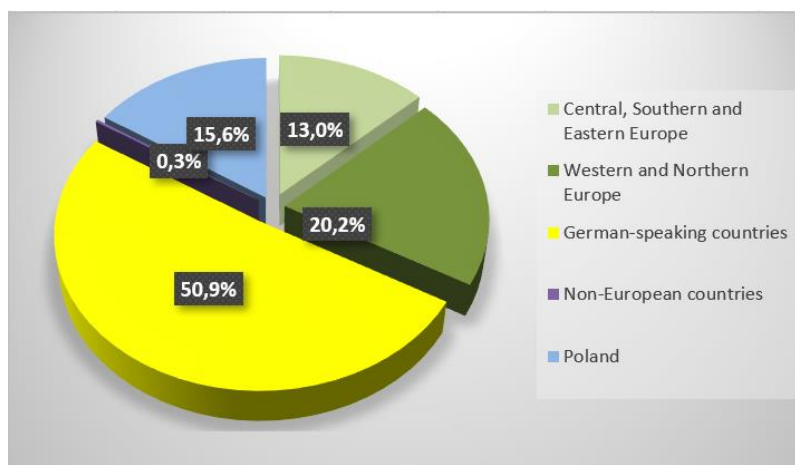
The completed year 2019 was a year of consolidation in which the Group focused primarily on the profitability of its operations at all levels, while maintaining sales at a stable level.

In 2019, **sales revenue** amounted to PLN 1 176 618 thousand and was higher by 6.3% (in terms of value by PLN 69 320 thousand) as compared to the previous year.

Furniture sales were 4% higher than in 2018, with a 2% increase in volume. In addition, due to the sale of raw board outside the Group in 2019, the consolidated revenue was 6% higher than in 2018.

Export sales of the FORTE Group totalled PLN 992 906 thousand – 84.4% of total sales (in 2018 – PLN 906 909 thousand – 81.9%). Sales in the Polish market amounted to PLN 183 712 thousand (15.6%) against PLN 200 389 thousand (18.1%) in the corresponding period of 2018.

The percentage of sales in individual markets was as follows: German-speaking countries 50.9% (49.7% - 2018), other countries of Western and Northern Europe 20.2% (19.8% - 2018), Poland 15.6% (18.1% - 2018), Central and Southern Europe 13.0% (12.0% - 2018), non-European countries 0.3%.



In 2019, the Group focused its sales activities mainly on changing the structure of product sales and on diversifying sales markets, which had a positive impact on the final margin. It should also be emphasized that despite strongly negative cost factors, outside the control of the Group, i.e. an increase in energy prices by 40% and pressure to increase salaries, thanks to actions taken by the Group as part of the reorganization of the entire value chain, the unit cost of producing one pack (excluding raw materials) was lower than in 2018, and in Q4, it dropped to the level of 2016, which was a record-breaking year in the history of FORTE. As a result, **gross margin on sales** achieved the level of 36.0%, which is 2.53 percentage point higher than last year.

Selling costs - the selling costs to revenue ratio amounted to 22.2%, versus 21.5% in the corresponding period last year. In terms of value, selling costs increased by PLN22 195 thousand.

This increase in the selling costs to revenue ratio is mainly due to an increase in transport rates and cooperation costs, in particular marketing campaigns for major customers.

Additionally, the Group recognised in its selling costs in 2019 a one-off adjustment of PLN 3 000 thousand relating to the fees paid for assuming the manufacturer's environmental responsibility for products introduced to the German market in 2018.

G&A costs – the G&A costs to revenue ratio stood at 5.2%, versus 5.4% last year.

It was possible to maintain G&A costs at a level similar to 2018 due to the implementation of projects contributing to savings in this category of costs.

Operating profit amounted to PLN 84 237 thousand (7.2% of revenue), compared to PLN 72 503 thousand (6.5% of revenue) in 2018.

Other operating costs were charged in the reporting period with an amount of PLN 7 500 thousand as expenditure incurred on co-financing the construction of a runway in Suwałki, pursuant to the contract made on 02.08.2017 between the Parent Company and the Town of Suwałki. The total amount covered by the contract is PLN 10 000 thousand. The last tranche of payments under this contract will be made in Q1 2020.

In addition, a PLN 2 169 thousand loss on the sale of financial assets of Kwadrat Sp. z o.o. recognised in other operating activities had a one-off impact on lowering EBIT in Q3 2019.

Result on financial operations amounted to PLN (-) 12 591 thousand. The negative result was particularly affected by an increase in the cost of interest and commissions on loans taken by the Group (PLN 16 116 thousand). The result on financial operations was positively influenced by exchange rate differences amounting to PLN 2 097 thousand.

In the reporting period, **net profit** totalled PLN 35 308 thousand (3.0% of revenue), compared to PLN 34 454 thousand (3.1% of revenue) in 2018.

An additional burden on net profit in 2019 was the release of an asset for tax loss made by the subsidiary Forte Brand Sp. z o.o. in the amount of PLN 2 663 thousand. The net profit of the comparative period was adjusted by PLN 111 345 thousand due to creation, in accordance with IAS 12, of deferred tax assets for future tax benefits to be used by subsidiaries operating in Special Economic Zones.

Financial data of Fabryki Mebli „FORTE” S.A.

Item	2019	2018 restated	2018 published	% change 2019/2018 restated
Sales revenue	1 127 425	1 095 082	1 095 082	3.0%
Cost of sales	(768 952)	(780 480)	(780 480)	(1.5%)
Gross profit on sales	358 473	314 602	314 602	13.9%
Gross margin on sales %	31.8%	28.7%	28.7%	
Selling costs	(282 366)	(263 313)	(263 313)	7.2%
G&A costs	(48 880)	(48 219)	(48 219)	1.4%
Operating profit (EBIT)	8 910	50	50	17720.0%
EBITDA	35 217	23 228	23 228	51.6%
Gross profit	4 974	(3 310)	2 471	250.3%
Net profit	(3 134)	(8 315)	(2 534)	62.3%
Net profit margin	(0.3%)	(0.8%)	(0.2%)	
Return on equity (ROE)	(0.6%)	(1.5%)	(0.4%)	
Return on assets (ROA)	(0.3%)	(0.9%)	(0.3%)	

Due to the current structure of the FORTE Group, in which vertical integration of the added value chain is spread across individual companies, the Management Board does not comment on the above separate financial data, as the analysis of separate financial statements of the Parent Company does not make full economic sense.

Characteristics of assets and liabilities

Financial data of the Fabryki Mebli „FORTE” S.A. Group

LIQUIDITY AND EFFICIENCY ANALYSIS	2019	2018 restated	2018 published
Current ratio (current assets/current liabilities)	0.7	0.5	0.5
Quick ratio (current assets – inventories/current liabilities)	0.4	0.3	0.3
Receivable turnover in days (average trade receivables*365/sales revenue)	32	40	40
Inventory turnover in days (average inventories*365/cost of sales)	98	96	96
Liability turnover in days (average trade liabilities*365/cost of sales)	43	42	42
Current asset turnover in days (average current assets*365/sales revenue)	134	148	148

Characteristics of balance sheet items	2019		2018 restated		2018 published		% change 2019/2018 restated
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	1 168 776	74%	1 186 369	72%	1 186 369	72%	(1.5%)
Current assets	402 245	26%	462 975	28%	462 975	28%	(13.1%)
Total assets	1 571 021	100%	1 649 344	100%	1 649 344	100%	(4.7%)
Equity	781 202	50%	735 922	45%	613 613	37%	6.2%
Non-current liabilities and provisions	252 854	16%	56 370	3%	178 679	11%	348.6%
Current liabilities and provisions	536 965	34%	857 052	52%	857 052	52%	(37.3%)
Total equity and liabilities	1 571 021	100%	1 649 344	100%	1 649 344	100%	(4.7%)

Non-current assets decreased by PLN 17 593 thousand, mainly as a result of partial use of deferred tax asset in respect of tax relief which could be used in connection with TANNE Sp. z o.o. and DYSTRI-FORTE Sp. z o.o. conducting their business activities in the Special Economic Zone (PLN 10 825 thousand), as well as in connection with a decrease in the value of investment property in the amount of PLN 19 211 thousand, due to the disposal of shares in the subsidiary Kwadrat Sp. z o.o., which was partially compensated by an increase in the value of financial assets in the amount of PLN 17 249 thousand.

In **current assets**, the most significant decrease was recorded for inventories (PLN 26 347 thousand), income tax receivables (PLN 21 671 thousand) and trade and other receivables (PLN 18 562 thousand). Cash increased by PLN 7 829 thousand.

On **liabilities** side, the most significant changes relate to: an increase in non-current liabilities under bank loans by PLN 165 661 thousand and a decrease in current liabilities under bank loans by PLN 318 020 thousand, an increase in other reserves by PLN 37 481 thousand and an increase in financial liabilities under lease contracts as a result of the first application of IFRS 16.

In current liabilities under bank loans, the amount of PLN 278 524 thousand relates to a reclassified loan taken by TANNE Sp. z o.o., which will be repaid in accordance with the schedule of the bank loan agreement, and its presentation in current liabilities complies with the requirements of IAS 1 described in more detail in note 8 of this report.

An increase in non-current liabilities under bank loans primarily results from concluding annexes to bank loan agreements between the Parent Company and PKO BP S.A., ING Bank Śląski and mBank S.A., extending the financing period until 2021.

Financial data of Fabryki Mebli „FORTE” S.A.

LIQUIDITY AND EFFICIENCY ANALYSIS	2019	2018 restated	2018 published
Current ratio (current assets/current liabilities)	2.0	1.1	1.1
Quick ratio (current assets – inventories/current liabilities)	1.2	0.7	0.7
Receivable turnover in days (average trade receivables*365/sales revenue)	33	40	40
Inventory turnover in days (average inventories*365/cost of sales)	66	67	67
Liability turnover in days (average trade liabilities*365/cost of sales)	48	45	45
Current asset turnover in days (average current assets*365/sales revenue)	116	127	127

Characteristics of balance sheet items	2019		2018 restated		2018 published		% change 2019/2018 restated
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	587 511	63%	545 039	59%	557 049	60 %	7.8%
Current assets	339 460	37%	377 924	41%	377 924	40 %	(10.2%)
Total assets	926 971	100%	922 963	100%	934 973	100%	0.4%
Equity	566 011	61%	565 693	61%	577 703	62 %	0.1%
Non-current liabilities and provisions	194 196	21%	14 811	2%	14 811	2 %	1211.2%
Current liabilities and provisions	166 764	18%	342 459	37%	342 459	36 %	(51.3%)
Total equity and liabilities	926 971	100%	922 963	100%	934 973	100%	0.4%

Non-current assets rose by PLN 42 472 thousand, mainly as a result of an increase in tangible fixed assets in the amount of PLN 9 469 thousand, an increase in the value of investments in subsidiaries and jointly controlled entities in the amount of PLN 37 486 thousand, a decrease in the value of loans granted to subsidiaries totalling PLN 6 332 thousand, as well as an increase in derivative receivables amounting to PLN 4 701 thousand.

An increase in the value of investments in subsidiaries is due to the recapitalisation of the subsidiary FORTE FURNITURE PRODUCTS INDIA Ltd amounting to PLN 2 155 thousand and the subsidiary FORTE BRAND Sp. z o.o. totalling PLN 44 000 thousand.

In **current assets**, a decrease was recorded mainly for trade and other receivables (PLN 21 399 thousand) and for income tax receivables (PLN 21 617 thousand). Corporate income tax receivables decreased as the Company received an income tax refund. The overpayment results from the use of a simplified form of settlements based on the profit earned in previous years.

On **liabilities** side, in the equity part, the most significant change relates to an increase in the reserves used for cash flow hedging (PLN 8 454 thousand).

In non-current liabilities, an increase was recorded mainly for liabilities under bank loans and borrowings (PLN 152 468 thousand) and for financial liabilities under lease contracts (PLN 23 446 thousand). The change in financial liabilities under lease contracts is related to the first application of IFRS 16.

The increase in non-current liabilities under bank loans primarily results from concluding annexes to bank loan agreements between the Company and PKO BP S.A., ING Bank Śląski and mBank S.A., extending the financing period until 2021.

Current liabilities decreased for items related to the current part of interest-bearing bank loans and borrowings (PLN 172 111 thousand) and for trade and other liabilities (PLN 5 051 thousand).

SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	31.12.2019	31.12.2018 restated	31.12.2019	31.12.2018 restated
Sales revenue	1 127 425	1 095 082	262 082	256 646
Profit on operating activities	8 910	50	2 071	12
Profit before tax	4 974	(3 310)	1 156	(776)
Loss for the period	(3 134)	(8 315)	(729)	(1 949)
Total comprehensive income for the period	318	(29 309)	74	(8 869)
Net cash flows from operating activities	73 816	28 799	17 159	6 749
Net cash flows from investing activities	(36 621)	(72 883)	(8 513)	(17 081)
Net cash flows from financial activities	(27 127)	45 778	(6 306)	10 729
Net increase (decrease) in cash and cash equivalents	10 068	1 694	2 340	397
Number of shares	23 930 769	23 930 769	23 930 769	23 930 769
Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00
Net loss per share (in PLN/EUR)	(0,13)	(0,35)	(0,03)	(0,08)
	31.12.2019	31.12.2018 restated	31.12.2019	31.12.2018 restated
Total assets	926 971	922 963	217 675	214 643
Total liabilities	360 960	357 270	84 762	83 086
Long-term liabilities	194 196	14 811	45 602	3 444
Short-term liabilities	166 764	342 459	39 160	79 642
Total equity	566 011	565 693	132 913	131 557
Share capital	23 931	23 931	5 620	5 565
Book value per share (in PLN/EUR)	23,65	26,64	5,55	5,50

PROFIT AND LOSS ACCOUNT

	For the period ended	
	31 December 2019	31 December 2018 restated
Continued operations		
Revenue from sales of products, goods and materials	1 117 923	1 084 745
Revenue from sales of services	9 502	10 337
Sales revenue	1 127 425	1 095 082
Cost of sales of sold products, goods and materials	(765 041)	(776 332)
Cost of sales of sold services	(3 911)	(4 148)
Cost of sales	(768 952)	(780 480)
Gross profit from sales	358 473	314 602
Other operating revenue	3 050	1 535
Costs of sales	(282 366)	(263 313)
General administrative costs	(48 880)	(48 219)
Other operating costs	(21 367)	(4 555)
Operating profit	8 910	50
Financial revenue	10 065	6 367
Financial costs	(7 464)	(4 158)
Share in the profit/ loss of investments valued at equity method	(6 537)	(5 569)
Profit (loss) before tax	4 974	(3 310)
Income tax	(8 108)	(5 005)
Loss on continued operations of the period	(3 134)	(8 315)
Loss of the period	(3 134)	(8 315)
Loss per share for the period (in PLN):		
- basic	(0,13)	(0,35)
- diluted	(0,13)	(0,35)

STATEMENT OF COMPREHENSIVE INCOME

	For the period ended	
	31 December 2019	31 December 2018 restated
Loss of the period	(3 134)	(8 315)
Other net comprehensive income, including:	3 452	(20 994)
Items which in the future may not be reclassified to the profit and loss account	(315)	(202)
Revaluation of employee benefit obligations	(388)	(249)
Deferred tax regarding employee benefits	73	47
Items which in the future may be reclassified to the profit and loss account	3 650	(20 878)
Hedge accounting	10 435	(55 263)
Hedge cost	(5 929)	29 488
Deferred tax	(856)	4 897
Exchange differences from translation of subsidiary	117	86
Total comprehensive income for the period	318	(29 309)

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	31 December 2019	31 December 2018 restated	1 January 2018 restated
ASSETS			
Non-current assets	587 511	545 039	511 966
Tangible fixed assets	273 934	264 465	245 444
Intangible assets	1 496	1 167	1 330
Investment in subsidiaries and entities	289 880	252 394	154 394
Loans granted	8 197	14 529	68 138
Investments valued at equity method	466	3 632	9 115
Other long-term receivables	88	103	112
Receivables due to derivative financial instruments	13 450	8 749	33 433
Current assets	339 460	377 924	382 736
Reserves	138 507	140 409	145 932
Trade and other receivables	129 733	151 132	164 133
Receivables due to derivative financial instruments	16 924	17 119	18 210
Income tax receivables	1 691	23 308	6 398
Accruals	1 997	5 124	3 028
Loans granted	5 967	5 954	12 351
Cash and cash equivalents	44 641	34 878	32 684
TOTAL ASSETS	926 971	922 963	894 702
LIABILITIES			
Equity	566 011	565 693	595 002
Share capital	23 931	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556	114 556
Revaluation reserve from hedging instruments	11 718	3 266	48 029
Hedge costs	12 885	17 687	(6 198)
Business combination capital	(1 073)	(1 073)	(1 073)
Incentive Scheme	2 354	2 354	2 354
Other reserve capitals	393 145	395 679	341 274
Retained earnings	9 039	9 954	73 139
Exchange differences from translation	(544)	(661)	(1 010)
Long-term liabilities	194 196	14 811	130 107
Interest-bearing loans and borrowings	152 468	-	115 315
Deferred income tax provision	13 125	10 166	11 195
Provision for benefits after the employment period	4 187	3 675	3 296
Financial liabilities due to lease	24 416	970	301
Short-term liabilities	166 764	342 459	169 593
Trade and other liabilities	161 166	166 217	159 020
Contract liabilities	582	699	1 125
Current portion of interest-bearing loans and borrowings	-	172 111	6 051
Provisions	2 977	2 800	2 722
Financial liabilities due to lease	2 039	632	675
Total liabilities	360 960	357 270	299 700
TOTAL LIABILITIES	926 971	922 963	894 702

CASH FLOW STATEMENT

	31 December 2019	31 December 2018 restated
Cash flow from operating activity		
Profit/ (loss) of the period	(3 134)	(8 315)
Adjustments by:	76 950	37 114
Share in the profit/ loss of investments valued at equity method	6 537	5 569
Depreciation	26 307	23 178
Foreign exchange (profit)/loss	(362)	(2 543)
Net interest and dividends	1 305	2 616
(Profit)/ Loss on investing activity	(5 731)	114
Change in receivables	21 415	13 010
Change in inventories	1 900	5 523
Change in liabilities, excluding loans and borrowings	(1 815)	4 531
Change in prepayments and accruals	3 062	(2 055)
Income tax paid	15 686	(18 000)
Current tax recognised in profit or loss	8 108	5 005
Provision for retirement benefits	366	166
Other	172	-
Net operating cash flow	73 816	28 799
Cash flows from investment activities		
Sales of property, plant and equipment and intangible assets	252	493
Purchases of property, plant and equipment and intangible assets	(11 722)	(39 102)
Purchase of financial assets	(46 155)	(98 000)
Dividends received	3 487	485
Interest received	246	1 115
Borrowings granted	(1 141)	(2 210)
Repayment of borrowings granted	6 287	64 336
Result on the sale of subsidiaries	12 125	-
Net investment cash flow	(36 621)	(72 883)
Cash flows from financing activities		
Inflow from loans and borrowings taken out	-	62 824
Repayment of loans and borrowings	(18 942)	(12 221)
Dividends paid	-	-
Interest paid	(5 247)	(4 151)
Repayment of leasing liabilities	(2 938)	(674)
Net financial cash flow	(27 127)	45 778
Net increase in cash and cash equivalents	10 068	1 694
Net foreign exchange differences	(305)	(500)
Opening balance of cash	34 878	32 684
Cash at end of year, including:	44 641	34 878
of limited disposability	10	160

STATEMENT OF CHANGES IN EQUITY

for the period ended on 31 December 2019

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Exchange differences from translation	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2019	23 931	114 556	21 303	-	3 266	17 687	395 679	(1 073)	2 354	577 703
Changes in adopted accounting principles (policy)	-	-	(11 349)	(661)	-	-	-	-	-	(12 010)
As at 1 January 2019 after adjustments	23 931	114 556	9 954	(661)	3 266	17 687	395 679	(1 073)	2 354	565 693
Impairment of retained earnings to reserve capital	-	-	2 534	-	-	-	(2 534)	-	-	-
Hedge costs for the period	-	-	-	-	-	3 304	-	-	-	3 304
Amount reclassified to sale revenue	-	-	-	-	(8 409)	(9 233)	-	-	-	(17 642)
Hedge accounting	-	-	-	-	18 844	-	-	-	-	18 844
Deferred tax	-	-	-	-	(1 983)	1 127	-	-	-	(856)
Provision for benefits after the employment period	-	-	(315)	-	-	-	-	-	-	(315)
Current result	-	-	(3 134)	-	-	-	-	-	-	(3 134)
Changes in adopted accounting principles (policy)	-	-	-	117	-	-	-	-	-	117
Comprehensive income for the period	-	-	(3 449)	117	8 452	(4 802)	-	-	-	318
As at 31 December 2019	23 931	114 556	9 039	(544)	11 718	12 885	393 145	(1 073)	2 354	566 011

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2018

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2018	23 931	114 556	72 246	48 029	-	341 274	(1 073)	2 354	601 317
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	6 198	-	(6 198)	-	-	-	-
As at 1 January 2018 after adjustments	23 931	114 556	78 444	48 029	(6 198)	341 274	(1 073)	2 354	601 317
Impairment of retained earnings to reserve capital	-	-	(54 405)	-	-	54 405	-	-	-
Payment of dividend for 2017	-	-	-	-	-	-	-	-	-
Hedge costs for the period	-	-	-	-	24 867	-	-	-	24 867
Amount reclassified to sale revenue	-	-	-	7 981	3 166	-	-	-	11 147
Hedge accounting	-	-	-	(51 978)	-	-	-	-	(51 978)
Deferred tax	-	-	-	(766)	(4 149)	-	-	-	(4 915)
Provision for benefits after the employment period	-	-	(202)	-	-	-	-	-	(202)
Current result	-	-	(2 534)	-	-	-	-	-	(2 534)
Comprehensive income for the period	-	-	(2 736)	(44 763)	23 885	-	-	-	(23 614)
As at 31 December 2018	23 931	114 556	21 303	3 266	17 687	395 679	(1 073)	2 354	577 703

Signature of the person entrusted with bookkeeping:

**Chief Accounting
Anna Wilczyńska**

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Signatures of all members of the Management Board:

**President of the Management Board
Maciej Formanowicz**

.....

**Member of the Management Board
Andreas Disch**

.....

**Member of the Management Board
Klaus Dieter Dahlem**

.....

**Member of the Management Board
Maria Małgorzata Florczuk**

.....

**Member of the Management Board
Mariusz Gazda**

.....

Ostrów Mazowiecka, 16 April 2020