



Extract of consolidated financial report for the period ended 30.09.2022

**FABYKI MEBLI „FORTE” S.A.
CAPITAL GROUP**

Ostrów Mazowiecka, 22 November 2022

www.FORTE.com.pl

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CONSOLIDATED SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	30.09.2022 (unaudited)	30.09.2021 (unaudited)	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Sales revenue	939 295	948 370	200 362	208 044
Profit (loss) on operating activities	53 675	127 153	11 449	27 894
Profit (loss) before tax	23 935	117 940	5 106	25 873
Net (profit) loss attributable to equity owners of the Parent company	59 720	87 332	12 739	19 158
Total comprehensive income for the period	2 274	88 347	485	19 381
Net cash flow from operating activities	-11 771	76 216	-2 511	16 720
Net cash flow from investment activities	-23 243	-28 243	-4 958	-6 196
Net cash flow from financial activities	22 035	-96 759	4 700	-21 226
Net (increase) decrease in cash and cash equivalents	-12 979	-48 786	-2 769	-10 702
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 Company (in PLN/EUR)	2,50	3,65	0,53	0,80
	30.09.2022 (unaudited)	31.12.2021 (audited)	30.09.2022 (unaudited)	31.12.2021 (audited)
Total assets	1 493 897	1 437 464	306 768	312 533
Total liabilities	744 644	642 621	152 911	139 718
Long-term liabilities	416 458	319 022	85 519	69 362
Short-term liabilities	328 186	323 599	67 392	70 357
Total equity attributable to equity owners of the Parent company	746 900	792 215	153 374	172 243
Share capital	23 931	23 931	4 914	5 186
Book value per share (in PLN/EUR)	31,21	33,10	6,41	7,20

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the 9 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited)	For the 3 months ended 30 September 2022 (unaudited)	For the 3 months ended 30 September 2021 (unaudited)
Sales revenue	939 295	948 370	250 597	339 772
Cost of sales	624 505	559 613	177 476	209 172
Gross profit from sales	314 789	388 757	73 120	130 600
Other operating revenue	3 115	4 835	482	1 262
Costs of sales	195 795	187 362	55 367	63 575
General administrative costs	60 599	64 394	16 993	22 283
Other operating costs	7 837	14 683	2 301	4 592
Profit/ (loss) on operating activities	53 675	127 153	-1 057	41 412
Financial revenue	741	1 302	110	-3 795
Financial costs	25 715	5 848	15 169	1 668
Loss on derivative financial instruments	-780	-1 150	-178	-361
Share in the loss of investments valued at equity method	-3 986	-3 517	-1 096	-1 102
Profit / (loss) before tax	23 935	117 940	-17 390	34 486
Income tax	-35 510	30 518	-181	9 306
Profit / (loss) on continued operations of the period	59 444	87 422	-17 209	25 180
Profit/ (loss) of the period	59 444	87 422	-17 209	25 180
Attributable to:				
Shareholders of the Parent Company	59 720	87 332	-17 240	25 189
Non-controlling shareholders	-276	90	31	-9
Profit/ (loss) on continued operations of the period in PLN:				
- basic	2,48	3,65	-0,72	1,05
- diluted	2,48	3,65	-0,72	1,05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the 9 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited)	For the 3 months ended 30 September 2022 (unaudited)	For the 3 months ended 30 September 2021 (unaudited)
Profit/ (loss) of the period	59 444	87 422	-17 209	25 180
Other comprehensive income before tax, including:	-70 518	897	-30 327	-13 841
Foreign exchange differences on translation of foreign operations	41	-244	181	286
Hedge accounting	-70 559	1 141	-30 507	-14 127
Deferred tax connected with items which in the future may be reclassified to the profit and loss account	-13 347	-28	5 538	2 744
Deferred tax regarding hedge accounting	-13 347	-28	5 538	2 744
Other net comprehensive income	-57 170	925	-24 787	-11 097
Total comprehensive income/(loss) for the period	2 274	88 347	-41 996	14 083
Attributable to:				
Shareholders of the Parent Company	2 549	88 257	-42 027	14 092
Non-controlling shareholders	-276	90	31	-9

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 September 2022 (unaudited)	31 December 2021 (audited)
ASSETS	1 008 793	975 862
Non-current assets	817 896	833 405
Tangible fixed assets	16 041	16 729
Intangible assets	550	550
Other long-term financial assets	5 057	5 063
Real estate investment	51 059	51 667
Assets on deferred tax	118 189	68 448
Current assets	485 104	461 602
Current assets other then held for sale	485 104	461 602
Inventory	298 803	239 457
Trade and other receivables	159 124	186 993
Income tax receivables	11 103	584
Financial assets	158	639
Cash and cash equivalents	15 916	28 585
Assets held for sale	0	5 344
TOTAL ASSETS	1 493 897	1 437 464
LIABILITIES		
Total equity	749 252	794 843
Equity (attributable to shareholders of the Parent Company), including:	746 900	792 215
Basic equity	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Other reserve capital	-71 649	-14 477
Retained earnings	680 062	668 205
Capital attributable to non-controlling shareholders	2 353	2 628
Long-term liabilities	416 458	319 022
Provision for benefits after the employment period	4 504	4 506
Interest-bearing loans and borrowings	296 000	241 968
Trade and other long-term liabilities	1 154	1 306
Subsidies	1 019	1 610
Financial liabilities due to lease	27 137	25 641
Liabilities due to financial derivative instruments	76 737	38 995
Other long-term financial liabilities	9 906	4 996
Short-term liabilities	328 186	323 599
Trade and other liabilities	157 407	225 814
Contract liabilities	2 444	1 723
Subsidies	348	362
Income tax liabilities	224	4 705
Current portion of interest-bearing loans and borrowings	126 879	83 090
Financial liabilities due to lease	846	834
Liabilities due to financial derivative instruments	36 877	4 060
Provision for benefits after the employment period	682	682
Other accruals	2 478	2 329
Total liabilities	744 644	642 621
TOTAL LIABILITIES	1 494 377	1 437 464

CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30.09.2022 (unaudited)	9 months ended 30.09.2021 (unaudited)
Cash flows from operating activities		
Profit/ (loss) of the period	59 444	87 422
Adjustments by:	-55 330	10 635
Share of loss of associates and joint ventures accounted for using equity method	3 986	3 517
Depreciation	41 556	41 029
Foreign exchange losses	19 462	17
Interest income	-272	-54
Interest costs	6 525	5 525
Dividends	0	-30
(Profit)/ loss on investing activity	-356	-1 242
Change in receivables	27 845	-26 390
Change in inventories	-59 362	-68 918
Change in liabilities, excluding loans and borrowings	-65 023	14 089
Change in accruals and deferrals	148	921
Current tax recognised in the profit and loss account	-35 510	30 518
Change in fair value	5 716	10 474
Other adjustments	-45	1 179
Cash flows from operating activities	4 114	98 057
Income tax paid	-15 885	-21 841
Net cash flows from operating activities	-11 771	76 216
Cash flows from investment activities		
Sale of tangible fixed assets	5 645	4 483
Purchase of intangible fixed assets	-108	-2
Purchase of tangible assets	-24 385	-25 268
Purchase of other debt and equity instruments	-4 636	-4 609
Real estate investment	-126	-4
Dividends	0	30
Interest paid	244	0
Borrowings paid by related entities	8 281	0
Borrowings paid by unrelated entities	700	705
Borrowings granted to related entities	-5 000	-2 878
Borrowings granted to unrelated entities	-680	-700
Net cash flows from investing activities	-23 243	-28 243
Cash flows from financing activities		
Borrowings taken out	136 915	67 735
Repayment of borrowings	-59 002	-61 406
Repayment of leasing liabilities	-1 471	-1 720
Dividends	-47 862	-95 723
Dividends paid to non-controlling shareholders	0	-2
Interest paid	-6 545	-5 643
Net cash flows from financial activities	22 035	-96 759
Net decrease in cash and cash equivalents before impact of foreign exchange differences	-12 979	-48 786
Net foreign exchange differences (from the opening balance translation)	310	-68
Net decrease in cash and cash equivalents	-12 669	-48 854
Opening balance of cash	28 585	88 025
Closing balance of cash, including: of limited disposability	15 916 876	39 171 424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2022 (unaudited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total capital attributed to controlling shareholders	Total capital of non-controlling shareholders	Total equity
As at 1 January 2022	23 931	114 556	668 205	-14 477	792 214	2 627	794 841
Payment of dividend	0	0	-47 862	0	-47 862	0	-47 862
Other changes	0	0	-2	0	-2	1	-1
<i>Current result</i>	<i>0</i>	<i>0</i>	<i>59 720</i>	<i>0</i>	<i>59 720</i>	<i>-276</i>	<i>59 444</i>
<i>Other comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-57 171</i>	<i>-57 171</i>	<i>1</i>	<i>-57 170</i>
Comprehensive income for the period	0	0	60 200	-57 171	3 029	-275	2 754
Change in equity	0	0	11 857	-57 171	-45 315	-274	-45 589
As at 30 September 2022	23 931	114 556	680 062	-71 649	746 900	2 353	749 252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021 (audited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total capital attributed to controlling shareholders	Total capital of non-controlling shareholders	Total equity
As at 1 January 2021	23 931	114 556	691 897	-36 737	793 647	2 563	796 210
Payment of dividend	0	0	-95 723	0	-95 723	-2	-95 725
Other changes	0	0	-38 798	38 796	-2	1	-1
<i>Current result</i>	<i>0</i>	<i>0</i>	<i>110 829</i>	<i>0</i>	<i>110 829</i>	<i>66</i>	<i>110 895</i>
<i>Other comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-16 536</i>	<i>-16 536</i>	<i>0</i>	<i>-16 536</i>
Comprehensive income for the period	0	0	110 829	-16 536	94 293	66	94 359
Change in equity	0	0	-23 692	22 260	-1 432	65	-1 367
As at 31 December 2021	23 931	114 556	668 205	-14 477	792 215	2 628	794 843

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2021 (unaudited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total capital attributed to controlling shareholders	Total capital of non-controlling shareholders	Total equity
As at 1 January 2021	23 931	114 556	691 897	-36 737	793 647	2 563	796 210
Payment of dividend	0	0	-95 723	0	-95 723	-2	-95 725
Other changes	0	0	-38 796	38 796	0	0	0
<i>Current result</i>	0	0	87 332	0	87 332	90	87 422
<i>Other comprehensive income for the period</i>	0	0	0	925	925	0	925
Comprehensive income for the period	0	0	87 332	925	88 257	90	88 347
Change in equity	0	0	-47 187	39 721	-7 466	88	-7 378
As at 30 September 2021	23 931	114 556	644 710	2 984	786 181	2 651	788 832

Seasonality of operations

	Domestic revenues	Share % in total quarter revenues	Export revenues	Share % in total quarter revenues	Revenues from sales of products, materials, goods and services	Share % in annual revenues
I Q 2022	71 324	20%	284 242	80%	355 566	-
II Q 2022	91 313	27%	241 819	73%	333 132	-
III Q 2022	51 826	21%	198 771	79%	250 597	-
3Q 2022	214 463	23%	724 832	77%	939 295	-
I Q 2021	55 837	19%	242 792	81%	298 629	23%
II Q 2021	58 732	19%	251 237	81%	309 969	23%
III Q 2021	88 036	26%	251 736	74%	339 772	26%
3Q 2021	202 605	21%	745 765	79%	948 370	-
IV Q 2021	95 364	25%	283 175	75%	378 539	28%
Total 2021	297 969	22%	1 028 940	78%	1 326 909	100%

Revenues and costs

Sales revenues

	For the reporting period ended	
	30.09.2022	30.09.2021
Sales revenues	(unaudited)	(unaudited)
Revenues from sales of goods, products and materials	934 434	944 049
- products	730 965	819 314
- goods	4 382	124 5
-materials	199 087	118 762
Revenues from sales of services	4 860	4 321
Total net revenues from sales	939 295	948 370
- including from related entities	4 517	4 826

Other operating revenues

	For the reporting period ended	
	30.09.2022	30.09.2021
Other operating revenues	(unaudited)	(unaudited)
Reversal of impairment write-downs receivables	2	240
Reversal of impairment write-downs inventories	36	483
Gain on sale of property, plant and equipment	110	319
Gain on sale of real estate	156	0
Gain on sale of intangible assets	0	962
Subsidies	612	1 822
Compensations	1 586	628
Other	614	381
Total other operating revenues	3 115	4 835

Other operating cost

Other operating costs	For the reporting period ended	
	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Creation of revaluation write-downs receivables	192	432
Creation of revaluation write-downs inventories	98	62
Liquidation and impairment losses on property, plant and equipment	107	39
Scrapping of inventory	1 868	2 745
Donations	2 699	53
Penalties and compensations	1 900	820
Real estate investment fair value	627	10 127
Other	346	406
Total other operating costs	7 837	14 683

Financial revenues

Financial revenue	For the reporting period ended	
	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Dividends	0	30
Gain on financial assets sale	198	0
Exchange differences of financial assets and liabilities	0	1 136
Interest	444	136
Other	99	0
Financial revenues, total	741	1 302

Financial costs

Financial costs	For the reporting period ended	
	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Interest on loans , credits	5 495	4 354
Interest on leasing	895	340
Other interest	752	110
Exchange differences of financial assets and liabilities	12 779	0
Credit valuation at amortised cost	536	482
Financial investments fair value	5 089	346
Other	169	216
Financial costs, total	25 715	5 848

Costs by type

Costs by type	For the reporting period ended	
	30.09.2022 (unaudited)	30.09.2021 (unaudited)
Depreciation	41 556	41 029
Consumption of materials and energy	375 577	363 063
External services	155 923	157 207
Taxes and fees	12 792	13 513
Payroll	147 346	168 803
Social insurance and other benefits	36 530	35 937
Other costs by type	11 581	8 335
Costs by type	781 305	787 887
Change in product inventory and accruals	27 949	-47 442

Manufacturing cost of products for internal purposes	2 848	-3 107
Costs of sales	195 795	-187 362
General administrative costs	60 599	-64 394
Manufacturing cost of sold products and services	494 114	485 582
Value of goods and materials sold	130 392	74 031
Costs of sales	624 505	559 613

Commentary to the Group results and basic economic-financial amounts

Group performance and key economic and financial data:

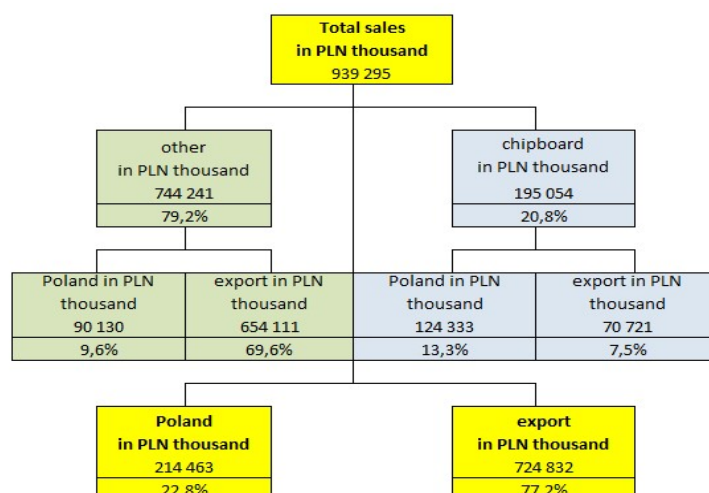
Item	9 months ended 30 Sept 2022	9 months ended 30 Sept 2021	% change	3 months ended 30 Sept 2022	3 months ended 30 Sept 2021	% change
Sales revenue	939 295	948 370	-1,0%	250 597	339 772	-26,2%
Cost of sales	624 505	559 613	11,6%	177 476	209 172	-15,2%
Gross profit on sales	314 789	388 757	-19,0%	73 120	130 600	-44,0%
Gross margin on sales %	33,5%	41,0%		29,2%	38,4%	
Selling costs	195 795	187 362	4,5%	55 367	63 575	-12,9%
G&A costs	60 599	64 394	-5,9%	16 993	22 283	-23,7%
Operating profit (EBIT)	53 675	127 153	-57,8%	-1 057	41 412	-102,6%
EBITDA	95 231	168 182	-43,4%	12 810	55 022	-76,7%
Share in loss of subsidiaries valued under the equity method	-3 986	-3 517	13,3%	-1 096	-1 102	-0,5%
Gross profit	24 415	117 940	-79,3%	-16 910	34 486	-149,0%
Net profit	59 924	87 422	-31,5%	-16 729	25 180	-166,4%
Net profit margin %	6,4%	9,2%		-6,7%	7,4%	
Return on equity (ROE)	8,0%	11,1%		-2,2%	3,2%	
Return on assets (ROA)	4,0%	5,9%		-1,1%	1,7%	

By the end of Q3 2022, the FORTE Group achieved **sales revenue** of PLN 939 295 thousand, compared to PLN 948 370 thousand in the corresponding period of 2021 (a decrease by 1%). At the same time, in Q3 2022 alone, the Group achieved sales revenue of PLN 250 597 thousand, which is a decrease by 26.2% compared to Q3 2021.

Sales of surplus chipboard manufactured by TANNE in the reporting period amounted to PLN 195 054 thousand (143.1 thousand m³), compared to PLN 173 855 thousand (128.7 thousand m³) in the corresponding period of 2021 (an increase by 12.2%).

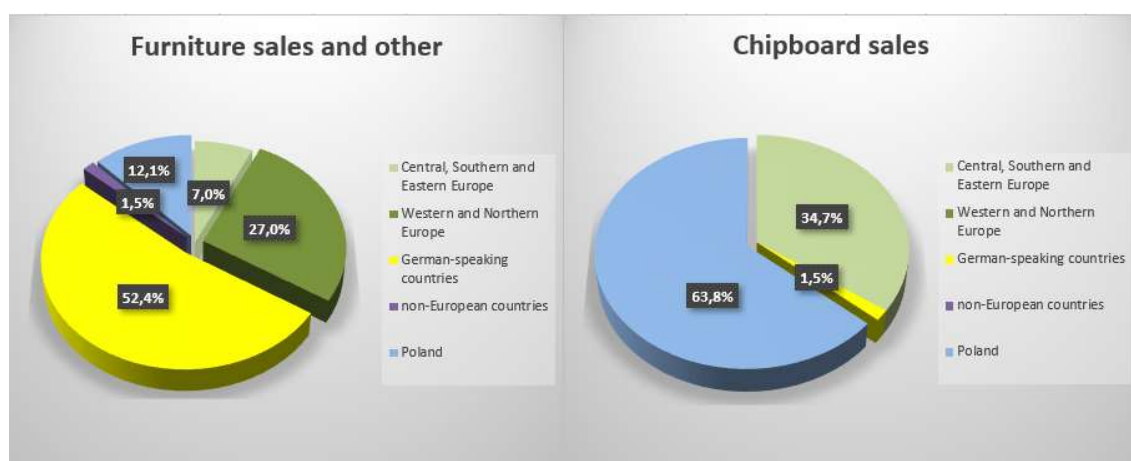
With regard to the Group's sales for the three quarters of 2022, **chipboard sales** accounted for 20.80%, with a 7.50% share of exports (PLN 70 721 thousand) and a 13.30% share of domestic chipboard sales (PLN 124 333 thousand).

The FORTE Group's furniture and other sales for the three quarters of 2022 amounted to PLN 744 241 thousand – 79.20% of total sales. Other sales in the export market amounted to PLN 654 129 thousand (69.6 %) against PLN 90 130 thousand of domestic sales (9.60%).



The percentage share of furniture and other sales in individual markets was as follows: German-speaking countries 52.4%, Western and Northern Europe 27.00%, Poland 12.1%, Central, Southern and Eastern Europe 7.0% and Non-European countries 1.5%.

The percentage share of chipboard sales in individual markets was as follows: Poland 63.80%, Central, Southern and Eastern Europe 34.7% and German-speaking countries 1.50%.



- **Gross margin on sales** stood at a level of 33.1%, which is 7.5 pp lower than in the corresponding period last year.
- **Selling costs** totalled PLN 195 795 and increased in terms of numbers by PLN 8 433 thousand, compared to the three quarters of 2021, which was mainly due to an increase in transport costs and the Group's participation in a greater number of trade fairs compared to the corresponding period of the previous year. The selling costs to revenue ratio was 20.8% compared to 19.8% in 2021.
- **G&A costs** stood at a level of PLN 60 599 thousand and compared to PLN 64 394 thousand in the corresponding period of 2021. The G&A costs to revenue ratio was 6.5% vs. 6.8% in the comparative period. This decrease in G&A costs vs. comparative period was mainly due to the lower provision for annual bonuses calculated on the basis of the consolidated profit.
- **Operating profit** amounted to PLN 53 675 thousand (5.7% of revenue), compared to PLN 127 153 thousand (13.4% of revenue) in the corresponding period of 2021.

This decline in profitability has been affected by the following three main factors:

- high costs of raw materials and production inputs (primarily wood and wood-based materials), which are transferred to the customer with a long delay,
- a very strong slowdown in the furniture market, in particular in the sale of cabinet furniture, which had a negative impact on the dynamics of furniture sales in all markets served by the Company, in particular in the German market. In terms of volume, furniture sales in Q3 2022 were 40% lower than in the same period of the previous year,

- low demand for furniture directly translated into a decreased demand for furniture board (despite stable selling prices). This, in turn, affected chipboard sales outside the Group, which, in terms of volume, were lower by 40% vs. the same period last year and almost 58% vs. Q2 this year.

• **Result on financial operations** amounted to PLN (-) 24 974 thousand. The most significant items of the Group's financial expenses were foreign exchange losses of PLN (-) 12 779 thousand, which in the comparative period were of a revenue nature totalling PLN 1 136 thousand, and interest on loans and borrowings, which in the reporting period amounted to PLN (-) 5 495 thousand. In Q2 2022, the Group also created a write-down for the shares of Yestersen Sp. z o.o. in the amount of PLN (-) 4 609 thousand and a write-down for full financing of the company's operating activities, in the form of loans granted, in the amount of PLN 480 thousand. These measures were taken following information obtained from Yestersen Sp. z o.o. that it closed its showroom and online shop.

• **Net profit** realised in the reporting period amounted to PLN 59 444 thousand (6.3% of revenue), compared to PLN 87 422 thousand (9.2% of revenue) for the three quarters of the previous year. The net profit for the reporting period was positively affected by the Group's creation of an asset of PLN 46 059 thousand to be used by TANNE Sp. z o.o. as a tax relief in connection with returning a subsidy to the Ministry of Development and running a business in a special economic zone. In turn, the net profit was negatively affected by the use of a tax relief of PLN 18 287 thousand in the current period.

Characteristics of balance sheet items	30.09.2022		31.12.2021		% change 2022/2021
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	1 008 793	68%	975 862	68%	3%
Current assets	485 104	32%	456 258	32%	6%
Assets held for sale	0	0%	5 344	0%	-100%
Total assets	1 493 897	100%	1 437 464	100%	4%
Equity	749 252	50%	794 843	55%	-6%
Non-current liabilities and provisions	416 458	28%	319 022	22%	31%
Current liabilities and provisions	328 186	22%	323 599	23%	1%
Total equity and liabilities	1 493 897	100%	1 437 464	100%	4%

Non-current assets increased by PLN 32 931 thousand, mainly as a result of an increase in deferred income tax asset by PLN 49 741 thousand compared to 31 December 2021 and a decrease in the value of tangible and intangible assets caused by the excess of depreciation/amortisation of assets held over the value of capital expenditure incurred in the reporting period.

Current assets increased by PLN 23 502 thousand. The most significant increase in current assets, compared to 31 December 2021, was recorded for inventories, i.e. by PLN 59 346 thousand. This increase in inventories was mainly due to creating a safe buffer of raw materials due to their rising prices and reduced supply, and the increase in inventories of finished goods was due to the lack of expected growth in furniture sales. Current assets also increased for income tax receivables (by PLN 10 519 thousand), as a result of the payment of income tax advances in a simplified form based on the profit generated in 2020. The overall balance of the Group's current assets at the end of the reporting period was also affected by a decrease in short-term trade receivables by PLN 25 585 thousand as a result of lower sales realised in Q3 2022 compared to Q4 2021 and a decrease in the value of cash by PLN 12 669 thousand compared to the end of 2021. In the reporting period, the Group finalised the planned sale of the real property located in Wrocław at Robotnicza Street and, as of 30 June 2022, it no longer had assets held for sale worth PLN 5 344 thousand in the balance sheet at the end of 2021.

On the **liabilities** side, the most significant increases compared to 31 December 2021 related to: liabilities under loans and borrowings by PLN 97 821 thousand due to their increased use, liabilities under derivative instruments by PLN 70 559 thousand due to their negative valuation as a result of an increase in the EUR/PLN exchange rate. Trade liabilities increased by PLN 4 958 thousand due to increased purchases of raw materials for production and their increased prices. On the liabilities side, there was also a further increase in the negative value of other capital reserves due to the negative result achieved on currency options totalling PLN (-) 61 360 thousand.

In the completed reporting period, the Group identified several factors that affected its financial performance and its development prospects:

Negative factors:

- increases in prices of basic raw materials for production as well as prices of services and energy
- reduced demand for furniture due to the deterioration in consumer sentiment, mainly as a result of rising inflation and uncertain situation related to the ongoing war in Ukraine,
- reduced demand for furniture board,
- pressure on salary increases.

Positive factors:

- EUR/PLN exchange rate level favourable for exporters,

An important factor that may have a significant impact on the Forte Group's operations is the still ongoing war in Ukraine and its short- and medium-term effects, e.g. high prices of energy carriers. Also the sanctions imposed on Russia and Belarus supporting it have limited sources of wood supply alternative to the State Forest Enterprise. This has an impact on the availability and continuous increase of wood prices on the market and on the costs of raw board production at TANNE.

However, it should be emphasised that the outcome of the armed conflict between Russia and Ukraine, and in particular the possible escalation of this conflict beyond the borders of Ukraine and Belarus, may completely change the situation of the Issuer and the Group on the market.

Due to a significant increase in the use of working capital loan limits by the Group, the Parent Company's Management Board took steps to obtain additional financing in order to increase business flexibility in a period of reduced demand for furniture and rising operating costs.

In the reporting period, the Group increased working capital financing by mBank by the equivalent of EUR 5 million, and also concluded a new loan agreement with PKO BP Bank for working capital financing of PLN 50 million for TANNE.

The Parent Company's Management Board also applied for an increase in working capital financing at ING Bank Śląski. At the time of publication of this report, the process is ongoing and final arrangements have not yet been made.

In Q3 2022, the Group failed to meet covenants included in its loan agreements with all financing banks. The main reason for the breach of the Debt/Ebitda covenant was a significant increase in the EUR/PLN exchange rate as at the balance sheet date and the related very significant increase in the negative valuation of open hedging transactions (an increase by PLN 39 million compared to the valuation in August 2022).

The Company's Management Board held meetings with all the Banks to explain the situation and also requested the Banks to exclude the valuation of currency options from the definition of "Debt" affecting the calculation of the ratio. The Management Board also submitted requests to modify the loan agreements.

As at the date of publication of this report, final arrangements have not yet been made, however, the Management Board does not see any risk of terminating loan agreements by any of the Banks financing the Group.

Regardless of the Group's failure to meet the ratios, the syndicated loan was being repaid as scheduled.

SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Sales revenue	748 053	838 196	159 568	183 875
Profit (loss) on operating activities	-65 012	31 636	-13 868	6 940
Profit (loss) before tax	-64 870	82 323	-13 837	18 059
Profit (loss) for the period	-54 223	73 853	-11 566	16 201
Total comprehensive income for the period	-112 145	73 552	-23 922	16 129
Net cash flows from operating activities	-39 469	-19 143	-8 418	-4 199
Net cash flows from investing activities	-40 712	40 490	-8 684	8 882
Net cash flows from financial activities	77 779	-15 245	16 591	-3 344
Net increase (decrease) in cash and cash equivalents	-2 402	6 102	-512	1 339
Number of shares	23 930 769	23 930 769	23 930 769	23 930 769
Declared or paid dividend per share (in PLN/EUR)	2,00	4,00	0,43	0,88
Net profit (loss) per share (in PLN/EUR)	-2,27	3,09	-0,48	0,68
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Total assets	963 909	922 876	197 936	200 651
Total liabilities	587 284	386 244	120 597	83 977
Long-term liabilities	307 695	158 680	63 184	34 500
Short-term liabilities	279 589	227 565	57 413	49 477
Total equity	376 625	536 632	77 339	116 674
Share capital	23 931	23 931	4 914	5 203
Book value per share (in PLN/EUR)	15,74	22,42	3,23	4,88

PROFIT AND LOSS ACCOUNT

	For the 9 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited)	For the 3 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited)
Sales revenue	748 053	838 196	210 283	291 105
Cost of sales	553 949	546 847	161 777	198 230
Gross profit from sales	194 103	291 349	48 506	92 875
Other operating revenue	621	1 441	361	334
Costs of sales	203 461	203 833	57 383	68 927
General administrative costs	49 636	53 201	13 047	18 307
Other operating costs	6 640	4 120	1 909	2 013
Operating profit / (loss)	-65 012	31 636	-23 470	3 962
Financial revenue	14 479	56 234	333	1 767
Financial costs	10 350	2 029	6 940	825
Share in the profit/ loss of investments valued at equity method	-3 986	-3 518	-1 096	-1 103
Profit / (loss) before tax	-64 870	82 323	-31 173	3 801
Income tax	-10 646	8 470	-4 845	2 250
Profit/ (loss) on continued operations of the period	-54 223	73 853	-26 329	1 551
Profit of the period	-54 223	73 853	-26 329	1 551
Profit per share for the period (in PLN):				
- basic	-2,27	3,09	-1,10	0,06
- diluted	-2,27	3,09	-1,10	0,06

STATEMENT OF COMPREHENSIVE INCOME

	For the 9 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited)	For the 3 months ended 30 September 2022 (unaudited)	For the 3 months ended 30 September 2021 (unaudited)
Profit of the period	-54 223	73 853	-26 329	1 551
Other comprehensive income before tax	-71 269	-359	-29 752	-14 690
Items which in the future may be reclassified to the profit and loss account	-71 269	-359	-29 752	-14 690
Foreign exchange differences on translation of foreign operations	-1 021	-215	-603	-250
Other comprehensive income for a cash flow hedge	-70 248	-144	-29 150	-14 440
Deferred tax connected with items of comprehensive income				
Deferred tax connected with items which in the future may be reclassified to the profit and loss account	-13 347	-28	-5 538	2 744
Deferred tax regarding hedge accounting	-13 347	-28	-5 538	2 744
Other net comprehensive income	-57 922	-331	-24 214	-11 946
Total comprehensive income for the period	-112 145	73 522	-50 543	-10 395

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 September 2022 (unaudited)	31 December 2021 (audited)
ASSETS		
Non-current assets	628 901	565 318
Tangible fixed assets	272 418	269 688
Intangible assets	450	615
Investment in subsidiaries and entities	290 782	289 782
Assets on deferred tax	26 912	2 715
Other long-term assets	38 339	2 518
Current assets	335 007	357 558
Inventory	179 542	170 111
Trade and other receivables	132 851	171 395
Income tax receivables	10 477	0
Other short-term assets	377	2 039
Cash and cash equivalents	11 760	14 012
TOTAL ASSETS	963 909	922 876
LIABILITIES		
Equity	376 625	536 632
Share capital	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Other reserve capitals	-90 465	-32 543
Retained earnings	328 603	430 688
Long-term liabilities	307 695	158 680
Provision for benefits after the employment period	4 027	4 027
Interest-bearing loans and borrowings	191 106	85 917
Subsidies	779	811
Financial liabilities due to lease	27 116	25 598
Other financial liabilities	9 906	4 996
Payables due to derivative financial instruments	74 762	37 332
Short-term liabilities	279 589	227 565
Trade and other liabilities	165 810	178 202
Contract liabilities	2 444	1 639
Subsidies	348	362
Liabilities due to tax	0	4 603
Current portion of interest-bearing loans and borrowings	70 177	34 951
Financial liabilities due to lease	792	756
Payables due to derivative financial instruments	36 877	4 060
Provision for benefits after the employment period	663	663
Other provisions	2 478	2 329
Total liabilities	587 284	386 244
TOTAL LIABILITIES	963 909	922 876

CASH FLOW STATEMENT

	For the 9 months ended 30 September 2022 (unaudited)	For the 9 months ended 30 September 2021 (unaudited))
Cash flow from operating activity		
Profit/ (loss) of the period	-54 223	73 853
Adjustments by:	30 039	-73 094
Share in the loss of investments valued at equity method	3 986	3 518
Amortisation	18 218	18 245
Foreign exchange (profit)/loss	6 824	-503
Interest income	-519	-42
Interest costs	5 654	2 499
Dividends	-13 494	-55 284
(Profit)/ Loss on investing activity	-200	-170
Change in receivables	38 503	-1 096
Change in inventories	-9 430	-56 205
Change in liabilities, excluding loans and borrowings	-9 518	7 297
Change in provisions	498	14
Current tax recognised in profit or loss	-10 646	8 471
Other	164	162
Operating cash flow	-24 185	759
Income tax paid	-15 284	-19 902
Net operating cash flow	-39 469	-19 143
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	145	241
Purchases of tangible fixed assets	-20 349	-12 387
Purchase of intangible assets	-53	0
Purchase of shares in associates	-1 000	0
Purchase of share of company valued at equity method	-3 378	0
Sell of other debt and equity instruments	200	0
Dividends received	13 494	55 284
Interest received	147	75
Borrowings granted	-33 592	-2 878
Repayment of borrowings granted	3 673	607
Other outflows	0	-452
Net investment cash flow	-40 712	40 490
Cash flows from financing activities		
Inflow from loans and borrowings taken out	136 915	84 745
Repayment of loans and borrowings	-5 000	0
Dividend paid	-47 862	-95 723
Interest paid	-4 866	-2 608
Repayment of leasing liabilities	-1 408	-1 659
Net financial cash flow	77 779	-15 245
Net increase/ (decrease) in cash and cash equivalents	-2 402	6 102
Net foreign exchange differences	149	-98
Opening balance of cash	14 012	7 605
Cash at end of year, including:	11 760	13 609
- of limited disposability	112	61

STATEMENT OF CHANGES IN EQUITY

for the period ended on 30 September 2022 (unaudited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total equity
As at 1 January 2022	23 931	114 556	430 688	-32 543	536 632
Dividends paid	0	0	-47 862	0	-47 862
Current result	0	0	-54 223	0	-54 223
Other comprehensive income for the period	0	0	0	-57 922	-57 922
Comprehensive income for the period	0	0	-54 223	-57 922	-112 145
Change in equity	0	0	-102 085	-57 922	-160 007
As at 30 September 2022	23 931	114 556	328 603	-90 465	376 625

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2021 (audited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total equity
As at 1 January 2021	23 931	114 556	436 028	-14 295	560 220
Dividends paid	0	0	-95 723	0	-95 723
Current result	0	0	90 383	0	90 383
Other comprehensive income for the period	0	0	0	-18 248	-18 248
Comprehensive income for the period	0	0	90 383	-18 248	72 135
Change in equity	0	0	-5 340	-18 248	-23 588
As at 31 December 2021	23 931	114 556	430 688	-32 543	536 632

STATEMENT OF CHANGES IN EQUITY

for the year ended on 30 September 2021 (unaudited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total equity
As at 1 January 2021	23 931	114 556	436 028	-14 295	560 220
Dividends paid	0	0	-95 723	0	-95 723
Current result	0	0	90 383	0	90 383
Other comprehensive income for the period	0	0	0	-18 248	-18 248
Comprehensive income for the period	0	0	90 383	-18 248	72 135
Change in equity	0	0	-5 340	-18 248	-23 588
As at 30 September 2021	23 931	114 556	430 688	-32 543	536 632

Signature of the person entrusted with bookkeeping:

**Chief Accounting
Anna Wilczyńska**

.....

Signatures of all members of the Management Board:

**President of the Management Board
Maciej Formanowicz**

.....

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

.....

**Member of the Management Board
Andreas Disch**

.....

**Member of the Management Board
Mariusz Jacek Gazda**

.....

**Member of the Management Board
Walter Stevens**

.....

Ostrów Mazowiecka, 22nd November, 2022