

Ostrów Mazowiecka, 26.10.2022

CURRENT REPORT No. 19 /2022

Subject: inside information – preliminary information on the Issuer's financial results for Q2 2022

The Management Board of FABRYKI MEBLI "FORTE" S.A. based in Ostrów Mazowiecka (the Issuer or the Company) hereby provides preliminary information on the financial results of the FABRYKI MEBLI "FORTE" S.A. Group (the Group) achieved in Q3 2022.

According to preliminary calculations, the Group's consolidated sales revenue in Q3 2022 amounted to PLN 251 million (including PLN 42 million in respect of surplus furniture board manufactured in the Group's own plant, i.e. TANNE Sp. z o.o., sold outside the Group) vs PLN 340 million in the comparative period of 2021 (including PLN 50 million from sales of board outside the Group), which means that it was by 26% lower than in 2021.

The estimated value of the Group's consolidated EBIT for Q3 2022 was PLN (-) 1 million, compared to PLN 41 million in the corresponding period of 2021 (a decrease by 102%).

EBIT for the nine months of 2022 was PLN 54 million, compared to PLN 127 million in the corresponding period of 2021 (a decrease by 57%).

The estimated value of the Group's consolidated EBITDA for Q3 2022 was PLN 13 million, compared to PLN 55 million in Q3 2021 (a decrease by 76%).

The Group's EBITDA for the 9 months of 2022 totalled PLN 95 million, compared to PLN 168 million in the corresponding period of 2021 (a decrease by 43%).

This decline in profitability have 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, particularly in the sale of cabinet furniture, which had a negative impact on the dynamics of furniture sales in all markets served by the Company, particularly 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), which translated into board sales outside the Group, in terms of volume, by 40% vs the same period last year and almost 58% vs Q2 this year.

The Issuer's Management Board also informs that in Q3 2022, the Group failed to meet the covenants included in 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 is going to request the Banks to exclude the valuation of currency options from the definition of "Debt" affecting the calculation of the ratio and to annex the concluded loan agreements to increase the ratio. 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.

The Issuer's Management Board informs that the above financial results are estimates only and may differ from the final figures that will be presented in the report for Q3 2022.

Legal basis: Article 17(1) of Market Abuse Regulation (MAR)