

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



**Extract of consolidated
financial report for the period
from 01.04.2023 to 30.06.2023**

Ostrów Mazowiecka, 22 August 2023

www.FORTE.com.pl

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CONSOLIDATED SELECTED FINANCIAL DATA

Consolidated financial data	in thousands of PLN		in thousands of EUR	
	01.04.2023- 30.06.2023 (unaudited)	01.01.2022- 31.03.2022 (unaudited)	01.04.2023- 30.06.2023 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Sales revenue	263 671	355 566	58 262	76 512
Profit on operating activities	2 551	32 165	564	6 921
Profit before tax	5 605	29 150	1 239	6 273
Net (profit) loss attributable to equity owners of the Parent company	1 302	68 413	288	14 721
Total comprehensive income for the period	48 062	45 163	10 620	9 718
Net cash flow from operating activities	16 783	-22 552	3 708	-4 853
Net cash flow from investment activities	-18 430	- 9 355	-4 072	-2 013
Net cash flow from financial activities	11 059	49 446	2 444	10 640
Net (increase)/ decrease in cash and cash equivalents	9 412	17 539	2 080	3 774
Number of shares	23 920 796	23 930 796	23 930 796	23 930 796
Net profit per share attributable to equity owners of the Parent Company (in PLN/EUR)	0,05	2,86	0,01	0,62
	30.06.2023 (unaudited)	31.03.2023 (audited)	30.06.2023 (unaudited)	31.03.2023 (audited)
Total assets	1 530 036	1 496 103	343 805	319 988
Total liabilities	599 972	614 105	134 816	131 345
Long-term liabilities	108 504	284 202	24 381	60 785
Short-term liabilities	491 468	329 903	110 435	70 560
Total equity attributable to equity owners of the Parent company	927 945	879 877	208 513	188 189
Share capital	23 931	23 931	5 377	5 118
Book value per share (in PLN/EUR)	38,77	36,77	8,71	7,86

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2021 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Sales revenue	263 671	333 132	355 566
Cost of sales	183 902	216 125	230 904
Gross profit from sales	79 769	117 007	124 662
Other operating revenue	2 863	2 051	582
Costs of sales	57 582	69 947	70 481
General administrative costs	21 164	22 057	21 549
Other operating costs	1 335	4 488	1 048
Profit on operating activities	2 551	22 567	32 165
Financial revenue	7 916	328	1 291
Financial costs	5 567	9 245	2 290
Profit /(loss) on derivative financial instruments	322	-278	-325
Share in the profit/(loss) of investments valued at equity method	384	-1 198	-1 692
Profit before tax	5 605	12 175	29 150
Income tax	4 303	3 922	-39 250
Profit on continued operations of the period	1 302	8 253	68 400
Profit of the period	1 302	8 253	68 400
Attributable to:			
Non-controlling shareholders	-1	-295	-13
Shareholders of the Parent Company	1 302	8 548	68 413
Profit on continued operations of the period in PLN:			
- basic	0,05	0,34	2,85
- diluted	0,05	0,34	2,85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2021 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Profit of the period	1 302	8 253	68 400
Other comprehensive income before tax, including:	57 782	-11 187	-29 004
Items which in the future may be reclassified to the profit and loss account	57 782	-11 187	-29 004
Foreign exchange differences on translation of foreign operations	-453	-323	183
Hedge accounting	58 235	-10 865	-29 187
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	11 022	-2 041	-5 767
Deferred tax regarding hedge accounting	11 022	-2 041	-5 767
Other net comprehensive income	46 760	-9 146	-23 237
Total comprehensive income/(loss) for the period	48 062	-893	45 163
Attributable to:			
Non-controlling shareholders	-1	-295	-13
Shareholders of the Parent Company	48 063	-598	45 176

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 June 2023 (unaudited)	31 March 2023 (audited)
ASSETS		
Non-current assets	1 058 220	1 005 940
Tangible fixed assets	822 839	814 973
Intangible assets	42 130	23 729
Investment in subsidiaries	570	550
Other long-term financial assets	10 370	9 719
Real estate investment	53 733	53 733
Assets on deferred tax	64 706	80 123
Financial derivative instruments receivables	63 873	23 113
Current assets	471 816	490 163
Current assets other then held for sale	471 816	490 163
Inventory	244 937	250 159
Trade and other receivables	157 506	191 765
Financial derivative instruments receivables	9 796	0
Income tax receivables	20 876	18 753
Financial assets	137	144
Cash and cash equivalents	38 564	29 342
TOTAL ASSETS	1 530 036	1 496 103
LIABILITIES		
Total equity	930 064	881 998
Equity (attributable to shareholders of the Parent Company), including:	927 945	879 877
Basic equity	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Other reserve capital	79 660	32 900
Retained earnings	709 798	708 490
Capital attributable to non-controlling shareholders	2 119	2 121
Long-term liabilities	108 504	284 202
Provision for benefits after the employment period	3 599	3 609
Interest-bearing loans and borrowings	39 801	232 062
Trade and other long-term liabilities	1 065	1 065
Accruals	27 460	9 035
Financial liabilities due to lease	33 729	33 949
Liabilities due to financial derivative instruments	1 440	2 242
Other long-term financial liabilities	1 411	2 240
Short-term liabilities	491 468	329 903
Trade and other liabilities	139 326	164 798
Contract liabilities	952	1 464
Accruals	334	338
Income tax liabilities	0	1 776
Current portion of interest-bearing loans and borrowings	346 104	149 855
Financial liabilities due to lease	1 949	1 992
Liabilities due to financial derivative instruments	0	6 877
Provision for benefits after the employment period	493	493
Other accruals	2 310	2 310
Total liabilities	599 972	614 105
TOTAL LIABILITIES	1 530 036	1 496 103

CONSOLIDATED CASH FLOW STATEMENT

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2021 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Cash flows from operating activities			
Profit of the period	1 302	8 253	68 400
Adjustments by:	20 758	-24 679	-87 334
Share of profit/(loss) of associates and joint ventures accounted for using equity method	-384	1 198	1 692
Depreciation	13 796	13 876	13 813
Foreign exchange losses	-12 825	3 015	2 024
Interest income	-27	-149	-56
Interest costs	5 437	2 022	1 632
(Profit)/ loss on investing activity	-2 419	1	-365
Current tax recognised in profit or loss account	4 303	3 922	-39 250
Change in receivables	34 164	29 059	-16 553
Change in inventories	5 222	-45 070	-28 846
Change in liabilities, excluding loans and borrowings	-28 211	-38 001	-21 473
Change in provisions	1 461	150	0
Change in fair value	0	5 236	0
Other adjustments	241	63	48
Cash flows from operating activities	22 060	-16 426	-18 934
Income tax paid	-5 277	-8 778	-3 618
Net cash flows from operating activities	16 783	-25 204	-22 552
Cash flows from investment activities			
Sale of intangible assets	2 646	0	0
Sale of tangible assets	45	0	15
Sale of real property investments	0	0	5 500
Purchase of intangible assets	0	-53	0
Purchase of tangible fixed assets	-20 413	-6 267	-9 887
Purchase of other debt and equity instruments	0	-4 636	0
Sale of other debt and equity instruments	0	0	200
Purchase of shares in investments valued at equity method	0	-3 378	0
Purchase of shares in related entities	-20	0	0
Purchase of shares in unrelated entities	-698	0	0
Borrowings interest received	10	76	17
Repayment of borrowings related entities	0	3 264	0
Repayment of borrowings unrelated entities	0	700	0
Borrowings granted unrelated entities	0	0	-5 200
Net cash flows from investing activities	-18 430	-10 408	-9 355
Cash flows from financing activities			
Inflows from loans and borrowings taken out	35 807	39 546	76 192
Repayment of loans and borrowings	-18 559	-14 830	-24 475
Repayment of leasing liabilities	-578	-463	-444
Payment of dividends to non-controlling shareholders	-2	0	0
Interest paid	-5 609	-1 942	-1 827
Net cash flows from financial activities	11 059	22 311	49 446
Net increase/ (decrease) in cash and cash equivalents before exchange differences	9 412	-13 301	17 539
Net foreign exchange differences (from the opening balance translation)	-190	162	-107
Net increase / (decrease) in cash and cash equivalents	9 222	-13 139	17 432
Opening balance of cash	29 342	46 017	28 585
Closing balance of cash, including:	38 564	32 878	46 017
of limited disposability	132	2 081	506

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2023 (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 2023	23 931	114 556	708 490	32 900	879 877	2 121	881 998
Payment of dividend	0	0	0	0	0	-2	-2
Other changes	0	0	6	0	6	0	6
<i>Current result</i>	<i>0</i>	<i>0</i>	<i>1 302</i>	<i>0</i>	<i>1 302</i>	<i>-1</i>	<i>1 302</i>
<i>Other comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>46 760</i>	<i>46 760</i>	<i>0</i>	<i>46 760</i>
Comprehensive income for the period	0	0	1 302	46 760	48 062	-1	48 062
Change in equity	0	0	1 308	46 760	48 068	-2	48 066
As at 30 June 2023	23 931	114 556	709 798	79 660	927 945	2 119	930 064

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2023 (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 2022	23 931	114 556	668 205	-14 477	792 215	2 628	794 843
Payment of dividend	0	0	-47 862	0	-47 862	0	-47 862
Other changes	0	0	-1	-1	-2	-1	-3
<i>Current result</i>	<i>0</i>	<i>0</i>	<i>88 148</i>	<i>0</i>	<i>88 148</i>	<i>-506</i>	<i>87 642</i>
<i>Other comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>47 378</i>	<i>47 378</i>	<i>0</i>	<i>47 378</i>
Comprehensive income for the period	0	0	88 148	47 378	135 526	-506	135 020
Change in equity	0	0	40 285	47 378	87 662	-507	87 155
As at 31 March 2023	23 931	114 556	708 490	32 900	879 877	2 121	881 998

Seasonality of operations

For the reporting period	Domestic revenues	Share % in total quarter revenues	Export revenues	Share % in total quarter revenues	Revenues from sales of products, materials, goods and services
For the period of 3 months 01.04.2023-30.06.2023	48 546	18%	215 125	82%	263 671
For the period of 3 months 01.04.2022-30.06.2022	91 313	27%	241 819	73%	333 132

Revenues and costs**Sales revenues**

	For the reporting period		
	01.04.2023-30.06.2023 (unaudited)	01.04.2022-30.06.2022 (unaudited)	01.01.2022-31.03.2022 (unaudited)
Sales revenues			
Revenues from sales of goods, products and materials	261 186	331 561	354 211
- products	235 759	236 874	289 581
- goods	1 551	1 446	1 423
-materials	23 876	93 241	63 206
Revenues from sales of services	2 485	1 571	1 355
Total net revenues from sales	263 671	333 132	355 566
- including from related entities	2 191	836	1 931

Other operating revenues

	For the reporting period		
	01.04.2023-30.06.2023 (unaudited)	01.04.2022-30.06.2022 (unaudited)	01.01.2022-31.03.2022 (unaudited)
Other operating revenues			
Reversal of impairment write-downs others	0	36	0
Gain on sale of property, plant and equipment	35	0	15
Gain on sale of intangible assets	2 646	0	0
Gain on sale of real estate	0	0	156
Subsidies	21	581	15
Donations and compensations	33	1 275	171
Other	129	159	224
Total other operating revenues	2 863	2 051	582

Other operating cost

	For the reporting period		
	01.04.2023-30.06.2023 (unaudited)	01.04.2022-30.06.2022 (unaudited)	01.01.2022-31.03.2022 (unaudited)
Other operating costs			
Creation of revaluation write-downs inventories	0	98	0
Creation of revaluation write-downs receivables	151	136	0
Liquidation and impairment losses on property, plant and equipment	262	1	4
Scrapping of inventory	426	608	484
Donations	86	2 559	105
Penalties and compensations	255	199	388

Damages removing costs	2	114	25
Real estate investment fair value	0	627	0
Other	152	144	41
Other operating costs, total	1 335	4 488	1 048

Financial revenues

Financial revenue	For the reporting period		
	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2022 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Gain on sale of financial assets sale	0	0	198
Interest	35	208	104
Exchange differences of financial assets and liabilities	7 881	0	989
Other	0	120	1
Financial revenues, total	7 916	328	1 291

Financial costs

Financial costs	For the reporting period		
	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2022 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Interest on loans, credits	4 978	1 869	1 199
Interest on leasing	457	293	296
Other interest	0	1	746
Credit valuation at amortised cost	0	536	0
Exchange differences of financial assets and liabilities	0	1 870	0
Financial investments fair value	0	4 609	0
Other	132	67	49
Financial costs, total	5 567	9 245	2 290

Costs by type

Costs by type	For the reporting period		
	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2022 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Depreciation	13 796	13 876	13 813
Consumption of materials and energy	121 664	145 566	145 670
External services	47 188	56 758	54 805
Taxes and fees	4 320	4 290	4 673
Payroll	46 761	48 405	56 690
Social insurance and other benefits	9 911	11 146	15 177
Other costs by type	3 901	3 976	4 189
Costs by type	247 539	284 017	295 017
Change in product inventory and accruals	6 802	29 513	14 455
Manufacturing cost of products for internal purposes	512	337	504
Scrapping of products and semi-finished products	358	524	444
Costs of sales	57 582	69 947	70 481
General administrative costs	21 164	22 057	21 549
Manufacturing cost of sold products and services	161 121	161 640	187 582
Value of goods and materials sold	22 781	54 485	43 322
Costs of sales	183 902	216 125	230 904

Commentary to the Group results and basic economic-financial amounts

Group performance and key economic and financial data:

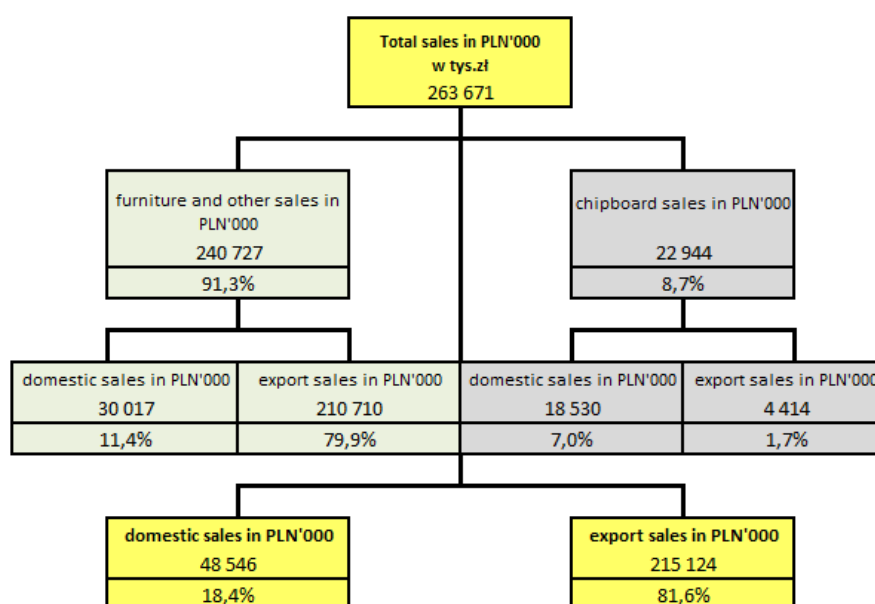
Item	3 months ended 30 June 2023	3 months ended 30 June 2022	% change 2023/2022
Sales revenue	263 671	333 132	-20,9%
Cost of sales	-183 902	-216 125	-14,9%
Gross profit on sales	79 769	117 007	-31,8%
Gross margin on sales %	30,3%	35,1%	
Selling costs	-57 582	-69 947	-17,7%
G&A costs	-21 164	-22 057	-4,0%
Operating profit (EBIT)	2 551	22 567	-88,7%
EBITDA	16 347	36 443	-55,1%
Share in profit/(loss) of subsidiaries valued under the equity method	384	-1 198	-132,1%
Gross profit	5 605	12 175	-54,0%
Net profit	1 302	8 253	-84,2%
Net profit margin %	0,5%	2,5%	
Return on equity (ROE)	0,1%	1,0%	
Return on assets (ROA)	0,1%	0,5%	

In the period April-June 2023, the FORTE Group earned **sales revenue** of PLN 263 671 thousand, compared to PLN 333 132 thousand in the comparative period of 2022 (a decrease by 20.9%).

Sales of surplus chipboard manufactured by the subsidiary TANNE accounted for 8.7% of the FORTE Group's total sales, with a 1.7% share of export sales (PLN 4 414 thousand) and a 7.0% share of domestic sales (PLN 18 530 thousand). Chipboard sales to external customers throughout the reporting period amounted to PLN 22 944 thousand, compared to PLN 91 066 thousand in the period April-June 2022 (a decrease by 75%).

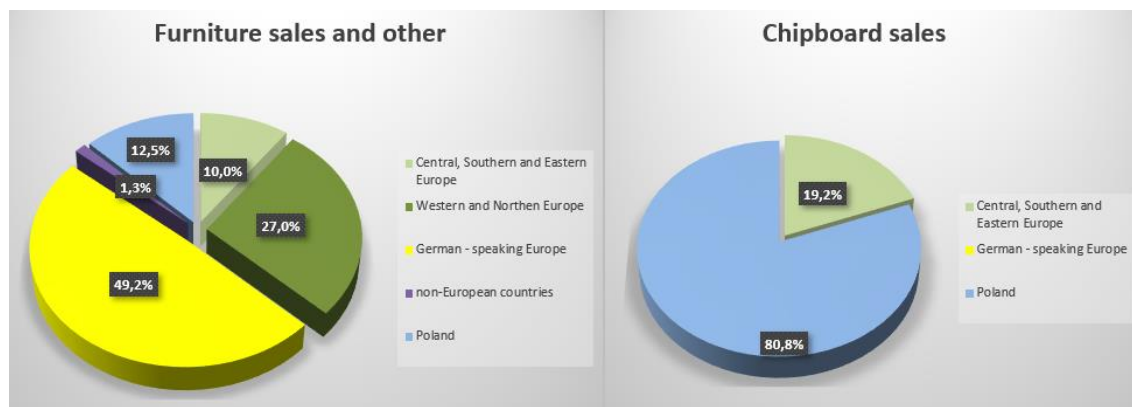
In terms of volume, however, chipboard sales in the period April-June 2023 were lower than in the comparative period by approx. 65% (21 thousand m3 in the reporting period vs. 59 thousand m3 in the comparative period).

Furniture and other sales of the Group accounted for 91.3% of total sales (PLN 240 727 thousand), with export sales of PLN 210 710 thousand (79.9%) and domestic sales of PLN 30 017 thousand (11.4%).



Percentage of furniture and other sales in individual markets was as follows: German-speaking countries 49.2%, Western and Northern Europe 27.0%, Poland 12.5%, Central, Southern and Eastern Europe 10.0% and Non-European countries 1.3%.

Percentage of chipboard sales in individual markets was as follows: Poland 80.8%, Central, Southern and Eastern Europe 19.2%.



Gross margin on sales stood at a level of 30,3%, which is 4.9 percentage point lower than in the corresponding period last year.

Selling costs – the selling costs to revenue ratio was 21.8% versus 21% in the corresponding period last year. In terms of value, selling costs decreased by PLN 12 365 thousand, which was strongly correlated with the decrease in sales revenue generated by the Group in the reporting period vs. comparative period.

G&A costs – the G&A costs to revenue ratio increased as a result of the decrease in revenue (8% against 6.6% in the comparative period). On the other hand, in terms of value, G&A costs decreased by 4%, which is the result of creating a lower provision for annual bonuses calculated on the consolidated net profit.

Operating profit amounted to PLN 2 551 thousand (1% of revenue), compared to PLN 22 567 thousand (6.8% of revenue) in the corresponding period of 2022.

The reduced profitability was primarily driven by the following factors:

- a continued slowdown in the furniture market, which adversely affected the dynamics of furniture sales in all markets served by the Group. In terms of volume, furniture sales in April-June 2023 were 11% lower than in the same period of the previous year,
- a very significant decline in demand for furniture board translated into a 65% drop in board sales by TANNE to external customers in terms volume vs. the same period last year. At the same time, sales prices fell by 30% vs. the same period last year. This resulted in a decrease of PLN 37.5 million in the margin achieved on sales of the board outside the group,
- high costs of raw materials and production inputs (primarily wood and wood-based materials), the transfer of which to the customer is delayed,
- strengthening of the PLN/EUR exchange rate.

EBIT in the reporting period was positively affected by the sale of 6,855 CO2 emission allowances allocated free of charge to TANNE. They were sold at the price of EUR 87 EUR per allowance, which generated an additional one-off income of PLN 2 646 thousand.

Result on financial operations amounted to PLN 2 349 thousand.

In the reporting period, the result on financial operations was positively influenced by exchange rate differences on the valuation of foreign currency assets and liabilities, the balance of which on the financial income side amounted to PLN 7 881 000. The most significant item of financial expenses was interest on loans and borrowings in the amount of PLN 4 978 000. This increased interest expense vs. the comparative period is due to the increase in interest rates as well as a significant increase in the use of working capital facilities by the Group.

Net profit in the reporting period amounted to PLN 1 302 thousand against PLN 8 253 thousand in the comparative period of 2022 (a decrease by 84.2%).

Net profit for the reporting period was directly affected by the use of an asset for tax relief by the special economic zone companies TANNE Sp. z o.o. and DYSTRI-FORTE Sp. z o.o. in the total amount of PLN 6 682 thousand, as well as the use of an asset created for tax loss by FORTE BRAND Sp. z o.o. in the amount of PLN 1 424 thousand. In turn, the creation of an asset for tax loss by the Parent Company in the amount of PLN 3 821 thousand had a positive impact by decreasing the tax burden on net profit.

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

Characteristics of balance sheet items	30.06.2023 (unaudited)		31.03.2023 (audited)		% change
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	1 058 220	69,2%	1 005 940	67%	5,2%
Current assets	471 816	30,8%	490 163	33%	-3,7%
Total assets	1 530 036	100%	1 496 103	100%	2,3%
Equity	930 064	60,8%	881 998	59%	5,4%
Non-current liabilities and provisions	108 504	7,1%	284 202	19%	-61,8%
Current liabilities and provisions	491 468	32,1%	329 903	22%	49,0%
Total equity and liabilities	1 530 036	100,0%	1 496 103	100%	2,3%

Non-current assets increased by PLN 52 280 thousand. The increase in intangible assets (PLN 18 401 thousand compared to 31 March 2023) was due to the allocation of free CO2 emission allowances to the subsidiary TANNE to be used/surrendered in subsequent reporting periods. The increase in the value of tangible fixed assets is caused by the surplus of investment outlays incurred in the reporting period over depreciation of assets held. The Group is currently finalising an investment project involving the construction of four ground-mounted photovoltaic systems at FORTE plants in Ostrów Mazowiecka, Hajnówka, Suwałki and TANNE chipboard factory with a total capacity of 11 MWp, equivalent to approx. PLN 36 500 thousand. The Group also recorded a significant increase (by PLN 40 760 thousand compared to 31 March 2023) for non-current receivables under derivative financial instruments as a result of the weakening of the EUR/PLN exchange rate, thus resulting in a positive valuation of option strategies representing hedge accounting.

Current assets decreased by PLN 18 347 thousand. The most significant decrease compared to 31 March 2023 (PLN -34 260 thousand) was recorded for trade and other receivables. This decrease in receivables is caused by lower sales revenue in the reporting period vs. last quarter of the financial year 2022_2023. The Group also reduced inventories by PLN 5 222 thousand. The reduction in inventories is a continuation of the strategy adopted by the Parent Company's Management Board, the main objective of which is to release cash frozen in the finished goods inventory buffer, while maintaining a safe stock of material for board production – wood and wood-based products. The overall balance of the Group's current assets at the end of the reporting period was also influenced by an increase in cash balance (PLN 9 222 thousand) and an increase in income tax receivables (PLN 2 124 thousand), as a result of advance payments made for income tax in a simplified form based on the profit generated in 2021.

On the **liabilities** side, the most significant changes involve:

- an increase in other capital reserves as a result of positive valuation of bank FX options that constitute hedge accounting (PLN 46 760 thousand);
- an increase in government subsidies (PLN 18 425 thousand) as a result of allocation of free CO2 emission allowances to the subsidiary TANNE;
- a decrease in long-term bank loans (PLN -192 261 thousand) as a result of TANNE's investment loan payments being made in accordance with the applicable schedule and the reclassification of working capital loan agreements from long-term to short-term due to the repayment date falling within 12 months of the end of the reporting period;
- a decrease in trade liabilities (PLN -25 472 thousand) as a result of reduced purchases of raw materials due to a very low demand for furniture;
- an increase in the short-term portion of loans (PLN 196 248 thousand) due to the increased use of working capital loans by Group companies and the reclassification of loans described above due to their maturity in less than 12 months.

In the completed reporting period, the Group identified several significant factors that affected its financial performance and its growth prospects.

Negative factors:

- continued very low demand for furniture and furniture board, which resulted in low sales volumes and lack of utilisation of existing production capacity;
- weakening of the EUR/PLN exchange rate
- inability to pass on high raw material costs to customers and, at the same time, pressure from customers to reduce prices for both furniture and furniture board.

Positive factors:

- deceleration in prices of raw materials for furniture and furniture board production,
- improved margins on products sold through furniture price increases introduced in the past financial year and withdrawal of low-margin products from the range.

Due to a major increase in the use of working capital credit limits by the Group as a result of a significant increase in operating costs and a simultaneous decrease in demand for furniture and the resulting lower sales revenue, the Management Board of the Parent Company is in constant contact with the financing Banks in order to maintain sources of financing for current operations, as well as to negotiate the levels of covenants contained in loan agreements.

In the course of discussions, the Group obtained the consents of all the financing Banks to increase the level of the debt/EBITDA ratio causing the breach from 3.0 to 6.0 until 30.06.2023 inclusive. Currently, the Management Board is developing a financial projection as a basis for requesting an adequate new level of the debt/EBITDA ratio for the next quarters of the financial year, of which the Banks were informed during regular monthly meetings with the Management Board.

Notwithstanding the above arrangements, the Group repays the syndicated loan as scheduled in the agreement.

In the following months, the Group will focus on intensive activities aimed at increasing its sales volumes and profitability, as well as increasing its market share in individual countries and adjusting its product offer accordingly, e.g. by expanding the range of upholstered furniture manufactured by a new Group entity and presenting and implementing new models at furniture fairs. At the same time, the Group is working on new, state-of-the-art solutions for the furniture market, which it plans to introduce from the fourth quarter of this year and which are expected to have a noticeable impact on performance in 2024.

A very significant uncertainty for the entire wood industry in Poland, and thus the Forte Group, is the decision of the State Forestry Authority not to renew the FSC certification of wood. The Group already has an equivalent PEFC certificate, and work is underway to convince its customers to accept that certification.

The ongoing war and high inflation, however, affect the persistence of high prices of raw materials and their availability, as well as high exchange rate dynamics, which will certainly affect the Group's financial performance in the near future.

The Management Board is taking various measures to mitigate the negative impact of the above-mentioned factors on the Group's operations, including by diversifying the sources of purchase of raw materials, withholding lower-priority investments or ensuring adequate levels of external financing. The Management Board has implemented an internal cost optimisation programme, while taking measures to maximise business efficiency. The Group's competitive advantage is undoubtedly having its own source of supply of board for furniture production within its structures.

Despite the measures taken, due to the unpredictable long-term economic consequences, the Management Board is unable to realistically estimate the impact of external factors, mainly the war in Ukraine, persistent inflation and lack of consumer demand, on future operating activities and financial performance of the Group.

SELECTED FINANCIAL DATA

Financial data of Fabryki Mebli FORTE S.A.	in thousands of PLN		in thousands of EUR	
	01.04.2023- 30.06.2023 (unaudited)	01.01.2022- 31.03.2022 (unaudited)	01.04.2023- 30.06.2023 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Sales revenue	241 365	295 103	53 333	63 501
Loss on operating activities	-26 941	-10 255	-5 953	-2 207
Loss before tax	-24 091	-12 218	-5 323	-2 629
Loss for the period	-20 270	-11 523	-4 479	-2 480
Total comprehensive income for the period	27 164	-36 073	6 002	-7 762
Net cash flows from operating activities	-4 328	-11 672	-956	-2 512
Net cash flows from investing activities	-13 549	-42 262	-2 994	-9 094
Net cash flows from financial activities	18 785	70 063	4 151	15 076
Net increase/ (decrease) in cash and cash equivalents	907	16 128	200	3 470
Number of shares	23 930 796	23 930 796	23 930 796	23 930 796
Net profit loss per share (in PLN/EUR)	-0,85	-0,48	-0,19	-0,10
	30.06.2023 (unaudited)	31.03.2023 (audited)	30.06.2023 (unaudited)	31.03.2023 (audited)
Total assets	1 033 193	1 006 812	232 163	215 338
Total liabilities	575 006	575 790	129 206	123 150
Long-term liabilities	60 095	219 851	13 504	47 022
Short-term liabilities	514 911	355 939	115 703	76 129
Total equity	458 187	431 022	102 956	92 187
Share capital	23 931	23 931	5 377	5 118
Book value per share (in PLN/EUR)	19,15	18,01	4,30	3,85

PROFIT AND LOSS ACCOUNT

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2021 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Sales revenue	241 365	242 667	295 103
Cost of sales	187 831	179 827	212 345
Gross profit from sales	53 535	62 840	82 758
Other operating revenue	213	102	157
Costs of sales	61 834	71 851	74 227
General administrative costs	17 527	18 646	17 943
Other operating costs	1 327	3 731	1 000
Loss on operating activities	-26 941	-31 286	-10 255
Financial revenue	7 561	13 818	922
Financial costs	4 068	2 811	1 193
Share in the loss of investments valued at equity method	-643	-1 198	-1 692
Loss before tax	-24 091	-21 477	-12 218
Income tax	-3 821	-5 106	-695
Loss on continued operations of the period	-20 270	-16 371	-11 523
Loss of the period	-20 270	-16 371	-11 523
Loss per share for the period (in PLN):			
- basic	-0,84	-0,68	-0,48
- diluted	-0,84	-0,68	-0,48

STATEMENT OF COMPREHENSIVE INCOME

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2021 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Loss of the period	-20 270	-16 371	-11 523
Other comprehensive income before tax, including:	58 456	-11 199	-30 318
Items which in the future may be reclassified to the profit and loss account	58 456	-11 199	-30 318
Foreign exchange differences on translation of foreign operations	445	-360	-59
Other comprehensive income for a cash flow hedge	58 011	-10 839	-30 259
Deferred tax connected with items of comprehensive income	11 022	-2 041	-5 767
Deferred tax connected with items which in the future may be reclassified to the profit and loss account	11 022	-2 041	-5 767
Deferred tax regarding hedge accounting	11 022	-2 041	-5 767
Other net comprehensive income	47 434	-9 158	-24 550
Total comprehensive income for the period	27 164	-25 529	-36 073

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 June 2023 (unaudited)	31 March 2023 (audited)
ASSETS		
Non-current assets	683 811	641 912
Tangible fixed assets	292 009	281 050
Intangible assets	363	389
Investment in subsidiaries and entities	290 782	290 782
Assets on deferred tax	2 327	9 529
Other long-term assets	34 456	37 049
Derivative financial instruments receivables	63 873	23 113
Current assets	349 381	364 900
Inventory	148 904	152 125
Trade and other receivables	146 242	173 530
Derivative financial instruments receivables	9 796	0
Income tax receivables	21 491	18 356
Other short-term assets	1 304	44
Cash and cash equivalents	21 645	20 846
TOTAL ASSETS	1 033 193	1 006 812
LIABILITIES		
Equity	458 187	431 022
Share capital	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Other reserve capitals	61 981	14 547
Retained earnings	257 719	277 989
Long-term liabilities	60 095	219 851
Provision for benefits after the employment period	3 175	3 175
Interest-bearing loans and borrowings	11 500	170 652
Subsidies	1 005	1 019
Financial liabilities due to lease	33 704	33 913
Other financial liabilities	10 711	10 514
Payables due to derivative financial instruments	0	578
Short-term liabilities	514 911	355 939
Trade and other liabilities	272 704	282 352
Contract liabilities	952	1 463
Subsidies	334	339
Current portion of interest-bearing loans and borrowings	236 271	60 226
Financial liabilities due to lease	1 898	1 930
Payables due to derivative financial instruments	0	6 877
Provision for benefits after the employment period	443	443
Other provisions	2 310	2 310
Total liabilities	575 006	575 790
TOTAL LIABILITIES	1 033 193	1 006 812

CASH FLOW STATEMENT

	01.04.2023- 30.06.2023 (unaudited)	01.04.2022- 30.06.2022 (unaudited)	01.01.2022- 31.03.2022 (unaudited)
Cash flow from operating activity			
Profit/ (loss) of the period	-20 270	-16 371	-11 523
Adjustments by:	19 076	-31 574	3 037
Share in the loss of investments valued at equity method	643	1 198	1 692
Amortisation	6 106	6 108	6 050
Foreign exchange (profit)/loss	-4 624	1 019	62
Interest income	-439	-168	-83
Interest costs	3 939	2 001	1 145
Dividends	-149	-13 494	0
(Profit)/ Loss on investing activity	227	1	-209
Change in receivables	27 256	32 520	4 874
Change in inventories	3 221	-12 966	-20 739
Change in liabilities, excluding loans and borrowings	-13 406	-42 900	10 893
Change in provisions	-5	150	0
Current tax recognised in profit or loss account	-3 821	-5 106	-695
Other	129	63	48
Operating cash flow	-1 194	-47 946	-8 486
Income tax paid	-3 135	-8 156	-3 187
Net operating cash flow	-4 328	-56 102	-11 672
Cash flows from investment activities			
Sale of tangible fixed assets	45	0	15
Purchases of tangible fixed assets	-13 752	-4 565	-9 170
Purchase of shares in associates	0	-1 000	0
Purchase of share of company valued at equity method	0	-3 378	0
Sell of other debt and equity instruments	0	0	200
Dividends received	149	13 494	0
Interest received	10	54	40
Repayment of borrowings granted to related entities	0	3 469	205
Borrowings granted to related entities	0	0	-33 552
Other inflows/outflows	0	0	0
Net investment cash flow	-13 549	8 073	-42 262
Cash flows from financing activities			
Inflow from loans and borrowings taken out	23 408	39 546	76 192
Repayment of loans and borrowings	0	4 768	-4 768
Repayment of leasing liabilities	-561	-441	-424
Interest paid	-4 062	-1 899	-937
Net financial cash flow	18 785	41 973	70 063
Increase/ (decrease) in cash and cash equivalents before exchange differences	907	-6 056	16 128
Net foreign exchange differences	-109	101	-168
Net increase/ (decrease) in cash and cash equivalents	799	-5 956	15 960
Opening balance of cash	20 846	29 972	14 012
Cash at end of year, including:	21 645	24 017	29 972
- of limited disposability	10	133	84

STATEMENT OF CHANGES IN EQUITY

for the period ended on 31 March 2023 (audited)

	Share capital	Share premium	Retained earnings	Other reserve capital	Total equity
As at 1 January 2023	23 931	114 556	277 989	14 547	431 022
<i>Current result</i>	0	0	0	0	0
<i>Other comprehensive income for the period</i>	0	0	-20 270	0	-20 270
Comprehensive income for the period	0	0	-20 270	47 434	27 164
Change in equity	0	0	-20 270	47 434	27 164
As at 30 June 2023	23 931	114 556	257 719	61 981	458 187

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 March 2023 (audited)

	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
<i>Current result</i>	0	0	-104 837	0	-104 837
<i>Other comprehensive income for the period</i>	0	0	0	47 089	47 089
Comprehensive income for the period	0	0	-104 837	47 089	-57 748
Change in equity	0	0	-152 699	47 089	-105 610
As at 31 March 2023	23 931	114 556	277 989	14 547	431 022

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
Maria Małgorzata Florczuk**

.....

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

.....

**Member of the Management Board
Walter Stevens**

.....

Ostrów Mazowiecka, 22nd August, 2023