

Ostrów Mazowiecka, 27 September 2024

## CURRENT REPORT NO. 14/2024

**Subject:** Termination of the involvement of FABRYKI MEBLI "FORTE" S.A. in the Indian company FORTE FURNITURE PRODUCTS INDIA PRIVATE LIMITED

The Management Board of FABRYKI MEBLI "FORTE" S.A. based in Ostrów Mazowiecka (the Issuer or FORTE) hereby informs that on 27 September 2024, it entered into an agreement with INDIAN FURNITURE PRODUCTS LIMITED based in Kakallur (IFPL) and FORTE FURNITURE PRODUCTS INDIA PRIVATE LIMITED based in Kakallur (FFPIPL) for the sale of all shares held by the Issuer in FFPIPL, i.e. 41,791,092 shares with a nominal value of 417,910,920 Indian rupees, which represent 50% of the share capital of FFPIPL. The shares were sold to IFPL for 41,791 Indian rupees (equivalent to approx. EUR 470). The conclusion of the share sale agreement marks the end of the collaboration with the ZUARI Group, a partner of the joint venture formed in 2017, i.e. FFPIPL.

The core business of FFPIPL is the production and sale of furniture. FFPIPL's business is based on the existing production facility and sales network in India owned by the other shareholder and on the know-how, design, product development and production technology provided by FORTE.

As FFPIPL's operations have failed to deliver the expected economic benefits and the partners now also see no prospect of FFPIPL developing and reversing the negative trend in the near future allowing it to become profitable, a decision was taken to terminate this project. Since the COVID pandemic, during which FFPIPL received no government support and was forced to halt operations for more than six months, there has been a steady increase in raw material prices that cannot be passed on to customers. Also, the limited availability of chipboard in the region and the constantly progressing loss of the market related to the deterioration of the competitiveness of the products in relation to natural wood products as well as the constant pressure from trade unions to increase wages meant that FFPIPL's performance was not satisfactory to the Issuer.

In connection with the termination of FORTE's involvement in FFPIPL, the Issuer waived all its claims relating to granted loans, provided services, leased machinery and equipment as well as purchased materials and goods. FORTE allowed FFPIPL to use the Company's trademark for a period of 1 year from the date of completion of the transaction.

In connection with the termination of its involvement in FFPIPL, FORTE incurred bank liabilities to be financed by the Issuer in the amount of EUR 2.2 million (bank letter of credit) and also settled other liabilities of approx. EUR 0.9 million. As the bank letter of credit was open against the Issuer's available credit limit, its execution did not affect the availability of cash at FORTE.

The Management Board of the Issuer estimates that the positive impact associated with the termination of FFPIPL's operations on the consolidated result from financial activities of the current financial year will be approx. PLN 5 million. This is due to the fact that the Issuer created value adjustment write-downs to cover future liabilities under the shareholders' agreement, the total value of which exceeded the capital employed.

In the opinion of the Company's Management Board, the termination of FORTE's involvement in FFPIPL will allow the Issuer to focus on its key sales markets and will not have a negative impact on the current operations of the Group, in particular it will not affect FORTE's production capacity, product development or sales plans.

Legal basis: Inside information under Article 17(1) of the MAR Regulation