



Fabryki Mebli "FORTE" S.A.

**Extract of financial report
for the period ended 31.12.2016**

FABRYKI MEBLI FORTE S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka

Independent Auditor's Opinion
on the financial statements
for the period from 1 January to 31 December 2016

INDEPENDENT AUDITOR'S OPINION
for the General Meeting and Supervisory Board of Fabryki Mebli Forte S.A.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Fabryki Mebli Forte S.A. ("the Company") with its registered office in Ostrów Mazowiecka, ul. Biała 1, consisting of:

- the statement of financial position prepared as at 31 December 2016,
- the profit and loss account for the period from 1 January to 31 December 2016,
- the statement of comprehensive income for the period from 1 January to 31 December 2016,
- the statement of changes in equity for the period from 1 January to 31 December 2016,
- the statement of cash flows for the period from 1 January to 31 December 2016,
- additional information on accounting methods and other explanations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Management is responsible for the preparation of the financial statements based on properly kept books of account, and for their fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as other binding legal regulations. The Company's Management is also responsible for such internal controls as it considers necessary to ensure that the financial statements are free of material misstatements resulting from fraud or error.

In accordance with the Accounting Act, the Company's Management Board and members of its Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act.

Responsibilities of the Auditor

Our responsibility is to express an opinion on the financial statements based on our audit.

We performed the audit in accordance with the provisions of Chapter 7 of the Accounting Act, and in accordance with the International Standards on Auditing adopted as National Standards on Auditing in Resolution No. 2783/52/2015 passed by the National Council of Certified Auditors on 10 February 2015, with subsequent amendments. These standards require us to comply with ethical requirements and to plan and perform the audit in a manner that allows us to obtain sufficient assurance that the financial statements are free of material misstatements.

The audit consisted of performing procedures aimed at obtaining audit evidence on the amounts and information disclosed in the financial statements. We choose the procedures based on our judgement, including an assessment of the risk of material misstatements in the financial statements due to fraud or error. In assessing this risk we consider the internal controls related to the preparation and fair presentation of the financial statements in order to plan our audit procedures, and not to express an opinion on the effectiveness of the Company's internal controls. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the estimates made by the entity's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the audited financial statements:

- a) give a true and fair view of the Company's financial position as at 31 December 2016, as well as of its financial result and cash flows for the period from 1 January to 31 December 2016, in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as the adopted accounting methods (policies),
- b) have been prepared on the basis of properly kept books of account, and
- c) are consistent, in content and in form, with the requirements of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2016 Journal of Laws, item 860), as well as with other applicable laws and regulations and with the Company's Statute.

Report on Other Legal and Regulatory Requirements

Opinion on Directors' Report on the Company's Activities

Our opinion on the financial statements does not cover the Directors' Report on the Company's activities.

In accordance with the Accounting Act and other binding regulations, the preparation of the Directors' Report on the Company's activities is the responsibility of the Company's Management. The Company's Management and members of its Supervisory Board are also responsible for ensuring that the Directors' Report on the Company's activities meets the requirements of the Accounting Act.

In connection with our audit of the financial statements our responsibility was to read the Directors' Report on the Company's activities and to indicate whether the information presented therein complies with the provisions of Article 49 of the Accounting Act and is consistent with the information presented in the accompanying financial statements. It was our responsibility to report whether, based on our knowledge obtained during the audit about the entity and its environment, we have identified any material misstatements in the Directors' Report on the Company's activities.

In our opinion, the information contained in the Directors' Report on the Company's activities complies with the provisions of Article 49 of the Accounting Act and with the requirements of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2016 Journal of Laws, item 860), and is consistent with the information presented in the accompanying financial statements.

Furthermore, based on our knowledge obtained during the audit about the Company and its environment we have identified no material misstatements in the Directors' Report on the Company's activities.

In connection with our audit of the financial statements it was also our responsibility to read the Company's declaration on the application of corporate governance, constituting a separate section of the Directors' Report on the Company's activities. In our opinion, the declaration contains the information required by the implementing provisions issued based on Article 60 par. 2 of the Act on Trading in Financial Instruments of 29 July 2005 (2016 Journal of Laws, item 1639, with subsequent amendments). The information presented therein is consistent with the applicable regulations and with the information presented in the accompanying financial statements.

Warszawa, 20 March 2017

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Authorized Audit Company No. 3355

Auditor in charge:

On behalf of BDO Sp. z o.o.:

Artur Staniszewski
Certified Auditor No. 9841

Dr. André Helin
Managing Partner
Certified Auditor No. 90004

Audit Report
on the financial statements of
FABRYKI MEBLI FORTE S.A.
for the period from 1 January to 31 December 2016

I. GENERAL INFORMATION

1. Information about the Company

The Company does business as Fabryki Mebli FORTE Spółka Akcyjna [joint-stock company].

The Company's registered office is ul. Biała 1, 07-300 Ostrów Mazowiecka.

In accordance with the entry in the National Court Register and the Company's Statute, the Company's activities consist of the production and retail sale of furniture, mattresses and wood products.

The Company operates on the basis of:

- the Company's Statute prepared in the form of a notarial deed on 22 November 1994 (Rep. A No. 4358/94) with subsequent amendments,
- the Code of Commercial Partnerships and Companies.

On 23 June 2001 the Company was entered in the National Court Register at the Regional Court for the Capital City of Warsaw, XIV Business Division of the National Court Register, in number 21840.

The Company has been assigned tax identification number NIP: 759-000-50-82, as well as statistical identification number REGON: 550398784.

As at 31 December 2016 the Company's share capital amounted to 23 901 084 zł and consisted of 23 901 084 shares with a nominal value of 1 zł per share.

No changes were made in the Company's share capital in the year 2016 or before the end of the audit.

The Company's shareholders as at 31 December 2016, according to the information provided by the Management Board:

Shareholder	Number of shares	% of votes at General Meeting
MaForm SARL	7 763 889	32,48%
Aviva Open Pension Fund Aviva BZ WBK	2 300 000	9,62%
Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A.*	2 149 448	8,99%
ING Open Pension Fund	1 200 000	5,02%

* of which Bentham Sp. z o. o. 2.050.000 shares 8,58% of share capital and total number of shares

As at 31 December 2016 the Company's equity totaled 498 691 thousand zł.

The function of entity manager is exercised by the Management Board.

As at 31 December 2016 the Company's Management Board comprised:

- Maciej Formanowicz - President of the Management Board
- Klaus Dieter Dahlem - Member of the Management Board
- Gert Coopmann - Member of the Management Board
- Mariusz Jacek Gazda - Member of the Management Board
- Maria Małgorzata Florczuk - Member of the Management Board

No changes were made in the composition of the Company's Management Board in the audited period or before the end of the audit.

2. Information about the authorized audit company and the auditor in charge

The financial statements of Fabryki Mebli FORTE S.A. for the year 2016 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor of the Company's financial statements starting from the year 2012 was selected by the Company's Supervisory Board in Resolution No. 14/2012 of 29 June 2012.

The audit was conducted based on an audit agreement signed on 3 August 2016, and performed under the direction of Artur Staniszewski, Certified Auditor No. 9841. The audit was performed from 30 January 2017, intermittently until the issue of the audit opinion. It was preceded with a review of the financial statements for the 1st half of 2016 and an interim audit.

We hereby declare that BDO Sp. z o.o., its management, the certified auditor and team performing the audit of the financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements - as provided for in Article 56 par. 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2016 Journal of Laws, No. 1000 with subsequent amendments).

The Company's Management submitted all of the declarations, explanations and information requested by the auditor and necessary to perform the audit.

No limitations had been placed on the scope of the audit or on the methods selected by the auditor to perform the audit.

3. Information about the financial statements for the previous financial year

The books of account were opened based on the financial statements prepared for the period from 1 January to 31 December 2015, which had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The Company's financial statements for the period from 1 January to 31 December 2015 were approved in Resolution No. 4/2016 passed by the General Shareholders Meeting of 17 May 2016.

In its Resolution No. 6/2016 the General Meeting selected to distribute the Company's net profit for the period from 1 January to 31 December 2015, amounting to 77 936 223,92 zł, in the following manner:

- 23 901 084,00 zł for the payment of a dividend,
- 54 035 139,92 zł to the reserve capital.

The financial statements for the year 2015 were filed with the National Court Register on 23 May 2016.

II. FINANCIAL ANALYSIS

Presented below are selected balance sheet and profit and loss account items, as well as key financial ratios, compared to analogical amounts for the previous years.

1. Main balance sheet and profit and loss account items (in '000 zł)

	31.12.2016	% of balance sheet total	31.12.2015	% of balance sheet total	31.12.2014	% of balance sheet total
Non-current assets	466 362	55,4	293 050	43,0	272 857	43,8
Current assets	374 778	44,6	388 344	57,0	349 767	56,2
Total assets	841 140	100,0	681 394	100,0	622 624	100,0
Equity	498 691	59,3	438 030	64,3	405 015	65,0
Liabilities	342 449	40,7	243 364	35,7	217 609	35,0
Total liabilities and equity	841 140	100,0	681 394	100,0	622 624	100,0

Item	2016	% of revenue	2015	% of revenue	2014	% of revenue
Sales revenue	1 104 556	100,0	954 706	100,0	821 631	100,0
Cost of finished products, goods for resale and raw materials sold	676 505	61,2	608 191	63,7	522 970	63,7
Gross sales profit/loss	428 051	38,8	346 515	36,3	298 661	36,3
Sales costs	263 892	23,9	217 528	22,8	175 424	21,4
General administrative costs	47 456	4,3	35 756	3,7	33 751	4,1
Sales profit/loss	116 703	10,6	93 231	9,8	89 486	10,9
Profit/loss on other operating activities	(5 468)	(0,5)	(10 829)	(1,1)	(3 465)	(0,4)
Profit/loss on financial activities	7 393	0,7	6 206	0,7	6 016	0,7
Gross profit/loss	118 628	10,7	88 608	9,3	92 037	11,2
Income tax	21 433	1,9	10 672	1,1	17 425	2,1
Net profit/loss	97 195	8,8	77 936	8,2	74 612	9,1

2. Key financial ratios

	2016	2015	2014
Profitability ratios			
Gross sales profitability	10,6%	9,8%	10,9%
Net sales profitability	8,8%	8,2%	9,1%
Return on assets	11,6%	11,4%	12,0%
Return on equity	19,5%	17,8%	18,4%
Liquidity ratios			
Current ratio	2,0	1,7	3,1
Quick ratio	1,2	1,1	1,8
Operating ratios			
Receivable days	50	51	44
Inventory days	75	85	90
Debt ratios			
Payable days	37	31	29
Debt rate	0,41	0,36	0,35

3. Remarks

- Non-current assets account for 55,4% of the Company's total assets at the end of the audited period, after having increased from 43,0% at the end of 2015.
- The value of current assets has gone down by 3,5% compared to the year before, with their percentage share falling from 57% of total assets in 2015 to 44,6% in the audited period.
- Although the Company's equity went up by 13,8% in the audited period, it accounted for 59,3% of total assets and liabilities at the end of 2016 compared to 64,3% last year.
- Sales revenue and the cost of goods sold went up by 15,7% and 11,2%, respectively, compared to the year 2015, causing the gross sales profit to reach the amount 428 051 thousand zł - an increase by 23,5% from the previous year.
- As the results on other operating activities and financial activities increased, the Company's net profit for the year grew by 24,7% compared to the year 2015.
- Net sales profitability increased from 8,2% last year to 8,8% in the audited period.
- The return on assets ratio grew from 11,4% last year to 11,6% in the audited period.
- The liquidity ratios have improved: the current has grown from 1,7 to 2,0; the quick from 1,1 to 1,2.
- The inventory days ratio has improved from 85 to 75 days.
- The payable days ratio amounts to 37 days, which constitutes a deterioration by 6 days from the previous year.
- The receivable days ratio has improved by 1 day from the year 2015 and amounts to 50 days.

In the course of the audit we found no indications that as a result of discontinuing or significantly limiting its operations the Company will not be able to continue as a going concern in at least the next reporting period.

III. DETAILED INFORMATION

1. Assessment of the Company's accounting and internal control systems

The Company has documentation describing its accounting methods, as set forth in Article 10 of the Accounting Act.

The Company's books of account are kept at its registered office. The Company's accounting records are computerized using the SAP system.

During our audit of the financial statements we performed a random check of the operation of the Company's accounting system. It was not an objective of the audit to express a comprehensive opinion on the operation of this system.

In the course of our audit we found no misstatements in the books of account, which could have a significant effect on the audited financial statements. Our audit has shown that:

- the accounting methods (policies) are valid and applied continuously, and that the books of account were opened correctly,
- economic transactions are documented accurately, completely and clearly, and correctly classified for entry in the books of account,
- the methods used to secure access to data and the data processing system are appropriate,
- accounting entries are complete and accurate, made continuously and are consistent with the corresponding source documents and financial statements,
- accounting documents, books of account and financial statements are properly protected.

The Company's inventory count of its assets and liabilities, conducted in accordance with the scope, due date and frequency requirements of the Accounting Act, was performed correctly, and the resulting differences have been settled in the books of account of the audited period.

2. Information about selected significant financial statements items

The most significant financial statements items have been described in the notes to the financial statements and in the Directors' Report on the Company's activities.

3. Additional information

The information presented in the introduction and notes to the financial statements has been prepared completely and correctly.

4. Management's Declaration

The Company's Management submitted a written declaration about the completeness of the books of account, disclosure of all contingent liabilities and absence of significant post-balance sheet events.

Warszawa, 20 March 2017

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On behalf of BDO Sp. z o.o.:

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Ostrów Mazowiecka, 20.03.2017 r.

Ladies and Gentlemen, Dear Shareholders,

On behalf of the Management Board, I am pleased to present you with the Annual Report of FABRYKI MEBLI „FORTE” S.A. along with a summary of its activities for 2016.

It is my pleasure to inform you that another year in a row FORTE may announce strong financial results, confirming the effectiveness of the adopted development strategy. For the first time ever, we have recorded more than one billion PLN in turnover and 97 million in net profit.

Last year, we focused, as planned, on implementing the adopted development strategy. The past year was marked by significant investment outlays related to the future development of the Company. Total investment expenses incurred by the Company amounted to PLN 39 million, whereas by the FORTE Group – to PLN 262 million, compared to PLN 68.3 million in 2015. The key investments made by the Group in 2016 include: expenditure incurred in connection with the construction of a chipboard factory in the Suwałki Special Economic Zone, the purchase of production lines and machinery to expand the production capacity in the existing plants of the Company, expenditure on the construction of an exhibition hall in Bad Salzflen in Germany and the modernisation of our furniture showroom in Ostrów Mazowiecka. In accordance with the adopted schedule, the new chipboard plant will start production in 2018. The exhibition hall in Germany is scheduled to open in September 2017.

Another important project that should have a positive impact on our results in the next few years is the establishment of a joint venture with INDIAN FURNITURE PRODUCTS LIMITED (a member of the ADVENTZ Group) for the production and sale of furniture in India. The joint venture agreement was signed on 18 September 2017 and the joint venture company under the name of FORTE FURNITURE PRODUCTS INDIA PVT. LTD will start operations on 1 April 2017.

All business activities of our Company follow the highest standards of corporate governance, information governance as well as environmental, social and governance (ESG) standards. The Company's activities have been recognised by the Warsaw Stock Exchange, which, in December 2016, included FABRYKI MEBLI „FORTE” S.A. into the elite group of companies listed in the RESPECT INDEX.



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Last year, our Company continued its conscious policy focused on the development of human resources, providing support for families of our employees and our active participation in social life. We carry out programmes aimed at the development of our staff and our immediate environment.

The „FORTE Academy” programme dedicated to management and production staff, carried out in cooperation with universities, including inter alia the Kozminski University, aims to raise awareness and knowledge of our employees. More than 400 FORTE employees participate in the programme every year. An inherent part of our personnel policy is also cooperation with secondary, technical and vocational schools. We offer various internship programmes for students and establish patronage classes at schools. In locations where FORTE factories are located, new classes offering such profiles of education as Wood Technology Technician (Ostrów Mazowiecka, Łomża, Białystok, Suwałki) and Carpenter (Łomża, Białystok, Suwałki) have been established.

FORTE actively participates in social life. One of the basic pillars of our social responsibility is open dialogue and cooperation with local communities. FORTE is present where its production operations are located – this is why a significant part of the projects it is involved in provide support to local communities. Our Company is involved in numerous activities to improve the quality of life of local people by developing and promoting education, culture, ecology and other issues – all in line with their needs and expectations. FORTE also encouraged its employees to take an active part in these activities. In 2016, the “FORMS” employee initiative programme was launched. As part of this programme, each employee may request financial or material support for their project addressed to local communities at one of FORTE’s locations. This is how our employee volunteering has been established.

On behalf of the Management Board, I would like to thank all employees for their enormous dedication and commitment which formed the basis of the success of Fabryki Mebli „FORTE” S.A. in 2016. I equally thank all our Shareholders for the trust they continue to place in us.

Maciej Formanowicz

President of the Management Board



Fabryki Mebli "FORTE" S.A.

**Extract of financial report
for the period ended 31.12.2016**

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SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Sales revenue	1 104 556	954 706	252 430	228 137
Profit (loss) on operating activities	111 235	82 402	25 421	19 691
Profit (loss) before tax	118 628	88 608	27 111	21 174
Net profit attributable to equity owners of the parent	97 195	77 936	22 212	18 624
Total comprehensive income for the period	84 562	78 799	19 325	18 830
Net cash flow from operating activities	164 546	73 448	37 604	17 551
Net cash flow from investment activities	(171 311)	(43 977)	(39 151)	(10 509)
Net cash flow from financial activities	13 475	(31 701)	3 080	(7 575)
Net increase (decrease) in cash and cash equivalents	6 710	(2 230)	1 533	(533)
Number of shares	23 901 084	23 901 084	23 901 084	23 901 084
Declared or paid dividend per share (in PLN/EUR)	1,00	2,00	0,23	0,48
Net profit per share (in PLN/EUR)	4,07	3,26	0,93	0,78
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total assets	841 140	681 394	190 131	159 895
Total liabilities	342 449	243 364	77 407	57 108
Long-term liabilities	156 946	20 563	35 476	4 825
Short-term liabilities	185 503	222 801	41 931	52 282
Total equity	498 691	438 030	112 724	102 788
Share capital	23 901	23 901	5 403	5 609
Book value per share (in PLN/EUR)	20,86	18,33	4,72	4,30

PROFIT AND LOSS ACCOUNT

	For the reporting period ended	
	31 December 2016	31 December 2015
Continued operations		
Revenue from sales of products, goods and materials	1 082 796	945 906
Revenue from sales of services	21 760	8 800
Sales revenue	1 104 556	954 706
Cost of sales of sold products, goods and materials	(661 275)	(603 876)
Cost of sales of sold services	(15 230)	(4 315)
Cost of sales	(676 505)	(608 191)
Gross profit (loss) from sales	428 051	346 515
Other operating revenue	3 119	6 316
Costs of sales	(263 892)	(217 528)
General administrative costs	(47 456)	(35 756)
Other operating costs	(8 587)	(17 145)
Profit (loss) on operating activities	111 235	82 402
Financial revenue	11 303	6 411
Financial costs	(4 023)	(2 460)
Profit (loss) on derivative financial instruments	113	2 255
Profit (loss) before tax	118 628	88 608
Tax expenses	(21 433)	(10 672)
Profit (loss) on continued operations of the period	97 195	77 936
Discontinued operations	-	-
Profit (loss) on discontinued operations of the period	-	-
Profit (loss) of the period	97 195	77 936
- basic (in PLN)	4,07	3,28
- diluted (in PLN)	4,07	3,28

STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended	
	31 December 2016	31 December 2015
Profit (loss) of the period	97 195	77 936
Other net comprehensive income including:	(12 633)	863
Items which in the future will not be reclassified to the profit and loss account	1 291	192
Revaluation of employee benefit obligations	280	237
Deferred tax regarding employee benefits	(53)	(45)
Incentive Scheme	1 064	-
Items which in the future may be reclassified to the profit and loss account	(13 924)	671
Hedge accounting	(17 189)	821
Income tax on other comprehensive income	3 265	(150)
Total comprehensive income for the period	84 562	78 799

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	31 December 2016	31 December 2015
ASSETS		
Non-current assets	466 362	293 050
Tangible fixed assets	246 297	227 921
Intangible assets	968	1 124
Investment properties	-	-
Financial assets	215 459	64 005
Deferred income tax assets	3 638	-
Current assets	374 778	388 344
Inventory	143 247	138 879
Trade and other receivables	173 482	184 243
Receivables due to derivative financial instruments	-	5 673
Deferred revenues and accruals	2 497	2 859
Financial assets	2 960	10 844
Cash and cash equivalents	52 592	45 846
TOTAL ASSETS	841 140	681 394
EQUITY AND LIABILITIES		
Total equity	498 691	438 030
Share capital	23 901	23 901
Share premium	113 214	113 214
Revaluation reserve from hedging instruments	(9 328)	4 596
Business combination capital	(1 073)	(1 073)
Incentive Scheme	2 354	1 290
Other reserve capital	248 859	194 824
Retained earnings	120 764	101 278
Long-term liabilities	156 946	20 563
Interest-bearing loans and borrowings	152 808	11 094
Deferred income tax provisions	-	4 871
Provisions for benefits after the employment period	3 283	3 330
Deferred revenues and accruals	13	37
Financial liabilities due to lease	842	1 231
Short-term liabilities	185 503	222 801
Trade and other liabilities	97 962	80 615
Current interest-bearing loans and borrowings	6 729	103 535
Income tax liabilities	10 176	3 598
Liabilities due to derivative financial instruments	11 517	-
Short-term provisions and deferred revenues and accruals	58 043	34 054
Financial liabilities due to lease	1 076	999
Total liabilities	342 449	243 364
TOTAL EQUITY AND LIABILITIES	841 140	681 394

CASH FLOW STATEMENT

	Za okres sprawozdawczy zakończony	
	31 grudnia 2016	31 grudnia 2015
Cash flows from operating activities		
Profit / loss of the period	97 195	77 936
Total adjustments by:	67 351	(4 488)
Depreciation	20 782	19 282
Foreign exchange (gains)/losses	4 057	1 186
Net interest and dividends	(8 995)	(4 330)
(Profit)/loss on investing activities	236	(106)
Change in the valuation of derivative financial instruments	3 266	(151)
Change in receivables	10 780	(39 692)
Change in inventories	(4 368)	10 134
Change in liabilities, excluding loans and borrowings	17 953	17 709
Change in accruals and deferrals	20 389	6 359
Change in provisions	(4 925)	(6 115)
Income tax paid	(20 151)	(26 009)
Current tax recognized in profit or loss	26 730	16 938
Provision for retirement benefits	533	307
Valuation of the Incentive Scheme	1 064	-
Other adjustments	-	-
Net cash flow from operating activities	164 546	73 448
Cash flows from investment activities		
Sales of property, plant and equipment and intangible assets	233	1 296
Purchases of property, plant and equipment and intangible assets	(40 077)	(37 547)
Disposal of financial assets	-	-
Purchase of financial assets	(95 312)	(86)
Dividends received	10 290	5 418
Interest received	333	56
Borrowings granted	(94 542)	(13 134)
Repayment of borrowings granted	47 714	20
Other investment inflows	50	-
Other investment outflows	-	-
Net investment cash flow	(171 311)	(43 977)
Cash flows from financing activities		
Inflow from share issuance		1 718
Inflow from loans and borrowings taken out	100 030	33 603
Repayment of loans and borrowings	(60 492)	(16 639)
Dividends paid	(23 901)	(47 502)
Interest paid	(1 850)	(1 163)
Repayment of leasing liabilities	(312)	(1 718)
Other financial inflows		-
Other financial expenses		-
Net financial cash flow	13 475	(31 701)
Net increase (decrease) in cash and cash equivalents	6 710	(2 230)
Net foreign exchange differences	(37)	23
Opening balance of cash	45 846	48 099
Cash at end of year, including:	52 593	45 846
of limited disposability	-	-

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Revaluation reserve from hedging instruments	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2016	23 901	113 214	101 278	4 596	194 824	(1 073)	1 290	438 030
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-
As at 1 January 2016 after adjustments	23 901	113 214	101 278	4 596	194 824	(1 073)	1 290	438 030
Increase of share capital	-	-	-	-	-	-	-	-
Impairment of retained earnings to reserve capital	-	-	(54 035)	-	54 035	-	-	-
Settlement of Incentive Scheme- shares of G series	-	-	-	-	-	-	-	-
Payment of dividend for 2015	-	-	(23 901)	-	-	-	-	(23 901)
Provisions for employee benefits	-	-	227	-	-	-	-	227
Current result	-	-	97 195	-	-	-	-	97 195
Hedge accounting	-	-	-	(13 924)	-	-	-	(13 924)
Valuation of the Incentive Scheme	-	-	-	-	-	-	1 064	1 064
Comprehensive income for the period	-	-	97 422	(13 924)	-	-	1 064	84 562
As at 31 December 2016	23 901	113 214	120 764	(9 328)	248 859	(1 073)	2 354	498 691

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Revaluation reserve from hedging instruments	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2015	23 751	111 646	97 762	3 925	167 714	(1 073)	1 290	405 015
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-
As at 1 January 2015 after adjustments	23 751	111 646	97 762	3 925	167 714	(1 073)	1 290	405 015
Increase of share capital	150	-	-	-	-	-	-	150
Impairment of retained earnings to reserve capital	-	-	(27 110)	-	27 110	-	-	-
Settlement of Incentive Scheme- shares of G series	-	1 568	-	-	-	-	-	1 568
Payment of dividend for 2014	-	-	(47 502)	-	-	-	-	(47 502)
Provisions for employee benefits	-	-	192	-	-	-	-	192
Current result	-	-	77 936	-	-	-	-	77 936
Hedge accounting	-	-	-	671	-	-	-	671
Valuation of the Incentive Scheme	-	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	74 257	(3 623)	-	-	870	71 504
As at 31 December 2015	23 901	113 214	101 278	4 596	194 824	(1 073)	1 290	438 030

Comments on key financial data of the Company

Item	2016	2015	% change
Sales revenue	1 104 556	954 706	15.7%
Cost of goods sold	(676 505)	(608 191)	11.2%
Gross profit on sales	428 051	346 515	23.5%
Gross margin	38.7%	36.3%	
Operating profit (EBIT)	111 235	82 402	35%
EBITDA	132 017	101 684	29.8%
Gross profit	118 628	88 608	33.9%
Net profit	97 195	77 936	24.7%
Net profit margin	8.8%	8.2%	
Return on equity (ROE)	19.5%	17.8%	
Return on assets (ROA)	11.6%	11.4%	

2016 was another year in which the Company maintained its positive growth trend in sales and net profit.

In 2016, **sales revenue** amounted to PLN 1 104 556 thousand and was higher by 15.7% as compared to the previous year (in terms of value by PLN 149 850 thousand).

In the opinion of the Management Board, the achievement of such good sales results confirms that the assumptions of the adopted strategy of continuous development of the FORTE Group are justified. The Company manufactured a total of 3.9 million pieces of furniture that were sold to customers in more than 40 countries, mainly in Europe but also in Asia and Africa. The EUR/PLN exchange rate which was favourable for the Company as an exporter also contributed to an increase in sales revenue.

Gross margin on sales amounted to 38.7% which is 2.4 percentage points more than in the previous year. The main reasons for this improvement in rentability are the positive impact of an increase in the EUR/PLN rate, an increased scale of production (economies of scale), stable market prices of raw materials and a consistent policy of budgetary discipline.

Cost of sales – the cost of sales to revenue ratio amounted to 23.9%, against 22.8% in the corresponding period last year. In terms of value, the cost of sales increased by PLN 46 364 thousand.

An increase in the above ratio was mostly influenced by incurring the costs of licensing a trademark in connection with its in-kind contribution to a subsidiary in October 2015.

G&A costs – the G&A costs to revenue ratio stood at 4.3%, compared to 3.7% in 2015. An increase in this category of costs is mainly due to increased investment in programmes related to the Company's continuing policy aimed at the development of staff.

Operating profit – the Company reported a very significant increase of 35% in operating profit. It amounted to PLN 111 235 thousand (10.1% of revenue), compared to PLN 82 402 thousand (8.6% of revenue) in 2015.

Net profit in the reporting period amounted to PLN 97 195 thousand (8.8% of revenue), compared to PLN 77 936 thousand in the corresponding period (8.2% of revenue).

Characteristics of the assets and liabilities

Liquidity and efficiency analysis	2016	2015
Current ratio (current assets/current liabilities)	2.0	1.7
Quick ratio (current assets - inventories/current liabilities)	1.2	1.1
Receivable turnover in days (average trade receivables*365/sales revenue)	50	51
Inventory turnover in days (average inventories*365/cost of goods sold)	75	85
Payable turnover in days (average trade payables*365/cost of goods sold)	37	31

Current asset turnover in days (average current assets*365/sales revenue)	126	141
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Characteristics of the balance sheet	2016		2015		% change
	thousand PLN	% of balance sheet total	thousand PLN	% of balance sheet total	2016/2015
Non-current assets	466 362	55%	293 050	43.0%	59%
Current assets	374 778	45%	388 344	57.0%	(3%)
Total assets	841 140	100%	681 394	100%	23%
Equity	498 691	59%	438 030	64.3%	14%
Non-current liabilities and provisions	156 946	19%	20 563	3.0%	663%
Current liabilities and provisions	185 503	22%	222 801	32.7%	(17%)
Total liabilities	841 140	100%	681 394	100%	23%

In 2016, the Company recorded an increase in **balance sheet total** by PLN 159 746 thousand.

Non-current assets rose by PLN 173 312 thousand, mainly as a result of increasing the share capital of subsidiaries by an amount of PLN 94 600 thousand and granting loans to subsidiaries totalling PLN 56 211 thousand.

In **current assets**, a decrease was recorded for trade and other receivables (PLN 10 761 thousand), financial assets arising from short-term loans granted (PLN 7 884 thousand) and receivables from derivative financial instruments (PLN 5 673 thousand). At the same time, the Company recorded an increase in inventories (PLN 4 368 thousand) and in cash (PLN 6 746 thousand).

On the **liabilities** side, increases were recorded for loans and borrowings (PLN 44 908 thousand), trade and other payables (PLN 17 347 thousand), provisions and accruals (PLN 23 989 thousand), deferred income tax (PLN 6 578 thousand) and derivative financial instruments (PLN 11 517 thousand).

Loans and borrowings increased mostly as a result of partial injection of capital into subsidiaries.

An increase in **trade payables** derives from increased production volumes. The Company settles all its liabilities in a timely manner, as evidenced by a stable payable turnover ratio.

An increase in **provisions and accruals** is mostly attributable to higher sales revenue and to higher provisions for bonuses and deductions for customers, to be settled in 2017.

The Company maintains good liquidity. **Cash** available at the end of the reporting period amounted to PLN 52 592 thousand and increased by PLN 6 746 thousand, compared to 2015.