



# FABRYKI MEBLI "FORTE" CAPITAL GROUP

Consolidated financial statements for the period ended  
on 31 March 2018

Statements prepared in accordance with  
the International Financial Reporting Standards

**TABLE OF CONTENTS**

SELECTED FINANCIAL DATA .....	4
Consolidated profit and loss account.....	5
Consolidated statement of comprehensive income.....	6
Consolidated statement of financial situation (BALANCE SHEET).....	7
Consolidated cash flow statement.....	9
Consolidated statement of changes in equity.....	10
Consolidated statement of changes in equity.....	11
Consolidated statement of changes in equity.....	12
1. General information.....	13
2. Composition of the Group.....	13
3. Composition of the Management Board of the Parent Company.....	15
4. Composition of the Parent Company's Supervisory Board:.....	15
5. Basis for preparation of the consolidated financial statements.....	15
6. Changes in accounting principles / principles of presenting data in financial statements and error correction.....	16
6.1. Changes in accounting principles.....	16
6.2. Impact of the application of IFRS 9 on the Group's financial statements.....	17
<b>6.2.1. Classification of financial instruments</b> .....	17
<b>6.2.2. Effects of IFRS 9 application</b> .....	17
6.3. Error adjustment.....	17
7. Foreign currency translation.....	21
8. Seasonality of operations.....	21
9. Information on operating segments.....	22
10. Revenue and costs.....	22
10.1. Sales revenue.....	22
10.2. Other operating revenue.....	22
10.3. Other operating costs.....	23
10.4. Financial revenue.....	23
10.5. Financial costs.....	23
10.6. Costs by type.....	23
11. Changes in accounting estimates.....	24
12. Change in write-downs on assets.....	25
13. Tangible fixed assets.....	25
14. Intangible assets.....	26
15. Non-current assets classified as available for sale.....	26
16. Provisions from revaluation of financial instruments.....	26
17. Dividend paid and proposed.....	27
18. Earnings per share.....	27
19. Interest-bearing bank loans.....	27
20. Financial instruments.....	31
21. Hedge accounting and other derivative financial instruments.....	31
22. Transactions with related entities.....	33
Information on entities related personally.....	35
23. Transactions involving the Management Board, key managerial staff and members of their immediate families.....	35
24. Significant events post reporting period.....	36
25. Off-balance sheet items.....	36
26. Directors' report on the activities of the Issuer's Capital Group.....	38
26.1. Factors and events visibly affecting financial results.....	40
26.2. Issue, redemption and repurchase of securities.....	40
26.3. Management Board's position regarding the viability of meeting previously published forecasts for a particular year.....	40
26.4. Information on shareholders having, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting as of the date of submission of the quarterly report.....	40
26.5. The most important awards and distinctions, as well as events in which the Issuer participated in Q1 2018.....	41
26.6. Listings of Fabryki Mebli "FORTE" S.A.....	41

26.7. Summary of the number of the Issuer's shares or rights to shares held by the members of the Issuer's management and supervisory authorities as at the date of submission of the quarterly report.....	42
26.8. Information on relevant pending proceedings before court, arbitration panel or public administration body.....	42
26.9. Information on conclusion by the Issuer or its subsidiary of one or more transactions with related entities.....	42
26.10. Information on granting by the Issuer or Issuer's subsidiary a loan or borrowing surety or a guarantee – in total to one entity or its subsidiary – if the total value of the existing sureties or guarantees is significant.....	42
26.11. Other information considered by the Issuer as important in the assessment of the Issuer's personnel, asset and financial standing, financial result and changes to such items; information relevant to the assessment of the Issuer's ability to fulfil obligations.....	42
26.12. Information on factors which, in the Issuer's opinion, will affect performance of the Issuer and its Capital Group during at least the following quarter.....	42
26.13. Events that occurred after the date of preparation of the financial statements that were not included in these statements, but which may have a significant impact on the future financial results of the Issuer.....	42
27. Currency exchange rates.....	43
Profit and loss account.....	Błąd! Nie zdefiniowano zakłádki.
Statement of comprehensive income.....	Błąd! Nie zdefiniowano zakłádki.
Statement of financial situation (balance sheet).....	Błąd! Nie zdefiniowano zakłádki.
Cash flow statement.....	Błąd! Nie zdefiniowano zakłádki.
statement of changes in equity.....	Błąd! Nie zdefiniowano zakłádki.
statement of changes in equity.....	Błąd! Nie zdefiniowano zakłádki.
statement of changes in equity.....	Błąd! Nie zdefiniowano zakłádki.

<b>SELECTED FINANCIAL DATA</b>				
<b>Financial data of condensed consolidated financial statements</b>	<b>PLN</b>		<b>EUR</b>	
	<b>3 months ended</b>			
	<b>3 months ended on 31 March 2018</b>	<b>on 31 March 2017 adjusted</b>	<b>3 months ended on 31 March 2018</b>	<b>3 months ended on 31 March 2017 adjusted</b>
Net revenue from sales of products, goods, materials and services	295,513	293,659	70,724	68,466
Profit (loss) on operating activities	15,903	40,366	3,806	9,411
Profit (loss) before tax	10,840	41,158	2,594	9,596
Net profit attributable to equity owners of the parent company	7,274	33,353	1,741	7,776
Total comprehensive income for the period	973	68,126	233	15,884
Net cash flow from operating activities	21,405	17,493	5,123	4,078
Net cash flow from investment activities	(119,915)	(58,133)	(28,699)	(13,554)
Net cash flow from financial activities	85,699	(5,054)	20,510	(1,178)
Net increase (decrease) in cash and cash equivalents	(12,811)	(45,694)	(3,066)	(10,654)
Number of shares	23,930,796	23,901,084	23,930,796	23,751,084
Profit (loss) per ordinary share (in PLN/EUR)	0.30	1.40	0.07	0.33
	<b>Status as at</b>		<b>Status as at</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
Total assets	1,513,735	1,482,036	359,685	355,328
Total liabilities	876,801	846,075	208,341	202,852
Long-term liabilities	634,466	562,881	150,758	134,954
Short-term liabilities	242,335	283,194	57,582	67,898
Parent Company shareholders' equity	633,619	632,650	150,557	151,682
Share capital	23,931	23,931	5,686	5,738
Book value per share (in PLN/EUR)	26.48	26.44	6.29	6.34

SELECTED FINANCIAL DATA	PLN		EUR	
	3 months ended on 31 March 2018	3 months ended on 31 March 2017 adjusted	3 months ended on 31 March 2018	3 months ended on 31 March 2017 adjusted
Financial data of condensed financial statements				
Net revenue from sales of products, goods, materials and services	304,829	293,894	72,954	68,521
Profit (loss) on operating activities	1,019	31,753	244	7,403
Profit (loss) before tax	2,211	31,021	529	7,233
Profit (loss) of the period	550	24,941	132	5,815
Total comprehensive income for the period	(5,779)	61,910	(1,383)	14,434
Net cash flow from operating activities	3,415	15,276	817	3,562
Net cash flow from investment activities	(7,715)	(19,784)	(1,846)	(4,613)
Net cash flow from financial activities	(661)	(33,566)	(158)	(7,826)
Net increase (decrease) in cash and cash equivalents	(4,961)	(38,074)	(1,187)	(8,877)
Number of shares	23,930,796	23,901,084	23,930,796	23,901,084
Declared or paid dividend per share (in PLN/EUR)	0.00	0.20	0.00	0.05
Profit (loss) per ordinary share (in PLN/EUR)	0.02	1.04	0.00	0.24
	<b>Status as at 31 March 2018</b>	<b>Status as at 31 December 2017</b>	<b>Status as at 31 March 2018</b>	<b>Status as at 31 December 2017</b>
Total assets	906,959	901,017	215,506	216,025
Total liabilities	311,421	299,700	73,998	71,855
Long-term liabilities	128,882	130,107	30,624	31,194
Short-term liabilities	182,539	169,593	43,374	40,661
Equity	595,538	601,317	141,508	144,170
Share capital	23,931	23,931	5,686	5,738
Book value per share (in PLN/EUR)	24.89	25.14	5.91	6.02

Individual items of the financial statements have been translated at the rates specified in section 27 of the Additional Information to the consolidated quarterly report for QSr 1/2018.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the reporting period ended		
	31 March 2018	31 March 2017	31 March 2017 adjusted
<b>Continued operations</b>			
Revenue from sales of goods, products and materials	293,460	291,995	291,995
Revenue from sales of services	2,053	1,664	1,664
<b>Sales revenue</b>	<b>295,513</b>	<b>293,659</b>	<b>293,659</b>
Cost of sales of sold goods, products and materials	(200,304)	(177,495)	(177,495)
Cost of sales of sold services	(1,020)	(1,256)	(1,256)
<b>Cost of sales</b>	<b>(201,324)</b>	<b>(178,751)</b>	<b>(178,751)</b>
<b>Gross profit (loss) from sales</b>	<b>94,189</b>	<b>114,908</b>	<b>114,908</b>
Other operating revenue	239	517	517
Costs of sales	(62,542)	(59,618)	(59,618)
General administrative costs	(14,493)	(13,388)	(13,388)
Other operating costs	(1,490)	(2,053)	(2,053)
<b>Profit (loss) on operating activities</b>	<b>15,903</b>	<b>40,366</b>	<b>40,366</b>
Financial revenue	80	32	32
Financial costs	(4,098)	(1,841)	(1,841)
Profit (loss) on derivative financial instruments	(13)	43	2,601
Share in profit/loss of subsidiaries valued at equity method	(1,032)	-	-
<b>Profit (loss) before tax</b>	<b>10,840</b>	<b>38,600</b>	<b>41,158</b>
Income tax	(3,562)	(7,298)	(7,784)
<b>Profit (loss) on continued operations of the period</b>	<b>7,278</b>	<b>31,302</b>	<b>33,374</b>
<b>Discontinued operations</b>	-	-	-
<b>Profit (loss) on discontinued operations of the period</b>	-	-	-
<b>Profit (loss) of the period</b>	<b>7,278</b>	<b>31,302</b>	<b>33,374</b>
<b>Attributable to:</b>			
<b>Shareholders of the Parent Company</b>	<b>7,274</b>	<b>31,281</b>	<b>33,353</b>
<b>Non-controlling shareholders</b>	<b>4</b>	<b>21</b>	<b>21</b>
<b>Profit (loss) per share attributable to shareholders of the Parent Company in the period (in PLN):</b>			
- basic	0.30	1.31	1.40
- diluted	0.30	1.31	1.40

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	For the reporting period ended		
	31 March 2018	31 March 2017	31 March 2017 adjusted
<b>Profit (loss) of the period</b>	<b>7,278</b>	<b>31,302</b>	<b>33,374</b>
<b>Other net comprehensive income, including:</b>	<b>(6,305)</b>	<b>38,537</b>	<b>34,752</b>
<b>Items which in the future will not be reclassified to the profit and loss account</b>	<b>6,198</b>	-	-
Hedge accounting (IFRS 9 adjustment)	6,198	-	-
<b>Items which in the future may be reclassified to the profit and loss account</b>	<b>(12,503)</b>	<b>38,537</b>	<b>34,752</b>
Foreign exchange differences on translation of foreign operations	9	(549)	(549)
Hedge accounting	(15,450)	48,646	43,973
Income tax on other comprehensive income	2,938	(9,560)	(8,672)
<b>Total comprehensive income for the period</b>	<b>973</b>	<b>69,839</b>	<b>68,126</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company	969	69,818	68,105
Non-controlling shareholders	4	21	21

**CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)**

	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2017</b>	<b>31 March 2017 adjusted</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>1,076,965</b>	<b>1,044,191</b>	<b>686,299</b>	<b>677,995</b>
Tangible fixed assets	838,782	798,223	396,760	396,760
Intangible assets	16,664	16,617	16,332	16,332
Financial assets	120,262	120,382	170,029	170,029
Investment properties	73,555	73,270	73,171	73,171
Investments valued at equity method	1,150	2,266	-	-
Receivables due to derivative financial instruments	26,552	33,433	30,007	21,703
<b>Current assets</b>	<b>436,770</b>	<b>437,845</b>	<b>523,753</b>	<b>522,799</b>
Inventory	170,858	170,251	139,878	139,878
Trade and other receivables	193,693	185,911	322,095	322,095
Receivables due to derivative financial instruments	17,278	18,210	8,834	7,880
Income tax receivables	9,289	6,402	91	91
Deferred revenues and accruals	4,017	4,004	3,725	3,725
Financial assets	434	199	169	169
Cash and cash equivalents	41,201	52,868	48,961	48,961
<b>TOTAL ASSETS</b>	<b>1,513,735</b>	<b>1,482,036</b>	<b>1,210,052</b>	<b>1,200,794</b>
<b>LIABILITIES</b>				
<b>Total equity</b>	<b>636,934</b>	<b>635,961</b>	<b>622,235</b>	<b>614,736</b>
<b>Equity (attributable to shareholders of the Parent Company), including:</b>	<b>633,619</b>	<b>632,650</b>	<b>619,008</b>	<b>611,509</b>
Basic equity	23,931	23,931	23,901	23,901
Surplus of share sale above their nominal value	114,556	114,556	113,214	113,214
Exchange differences on translation of foreign operations	(577)	(586)	248	248
Revaluation reserve from hedging instruments	33,967	46,479	29,758	26,010
Other revaluation reserves	(21,142)	(21,142)	17,654	17,654
Incentive scheme	2,354	2,354	2,354	2,354
Other reserve capital	358,807	358,807	249,079	249,079
Retained earnings	121,723	108,251	182,800	179,049
<b>Capital attributable to non-controlling shareholders</b>	<b>3,315</b>	<b>3,311</b>	<b>3,227</b>	<b>3,227</b>
<b>Long-term liabilities</b>	<b>634,466</b>	<b>562,881</b>	<b>393,776</b>	<b>392,017</b>
Interest-bearing loans and borrowings	577,358	527,749	359,096	359,096
Deferred income tax provision	7,811	10,234	12,787	11,028
Provision for benefits after the employment period	3,602	3,601	3,390	3,390
Deferred revenues and accruals	42,673	18,771	16,591	16,591
Financial liabilities due to lease	178	301	657	657
Other long-term liabilities	2,844	2,225	1,255	1,255
<b>Short-term liabilities</b>	<b>242,335</b>	<b>283,194</b>	<b>194,041</b>	<b>194,041</b>
Trade and other liabilities	174,216	232,736	158,933	158,933
Current portion of interest-bearing loans and borrowings	62,692	45,291	26,689	26,689
Income tax liabilities	-	-	3,265	3,265
Provisions, deferred revenues and accruals	602	280	-	-
Provisions	2,723	2,716	2,556	2,556
Financial liabilities due to lease	611	679	930	930



Liabilities due to derivative financial instruments	1,491	1,492	1,668	1,668
<b>Total liabilities</b>	<b>876,801</b>	<b>846,075</b>	<b>587,817</b>	<b>586,058</b>
<b>TOTAL LIABILITIES</b>	<b>1,513,735</b>	<b>1,482,036</b>	<b>1,210,052</b>	<b>1,210,794</b>

## CONSOLIDATED CASH FLOW STATEMENT

	For the reporting period ended			
	31 March 2018	31 December 2017	31 March 2017	31 March 2017 adjusted
<b>Cash flows from operating activities</b>				
<b>Profit (loss) of the period</b>	<b>7,274</b>	<b>76,965</b>	<b>31,281</b>	<b>33,353</b>
<b>Adjustments by:</b>	<b>14,131</b>	<b>(4,322)</b>	<b>(13,788)</b>	<b>(15,860)</b>
Share in profit (loss) of entities measured with the equity method	1,032	5,356		
(Profit)/loss of non-controlling shareholders	4	105	21	21
Amortisation and depreciation	7,467	26,946	6,129	6,129
Foreign exchange (gains)/losses	1,858	(17,248)	(11,005)	(11,005)
Net interest and dividends	2,024	7,854	1,676	1,676
(Profit)/loss on investment activities	2	863	18	18
Change in the valuation of derivative financial instruments	1,512	(13,041)	(9,604)	(11,274)
Change in receivables	(9,677)	3,391	(9,753)	(9,753)
Change in inventories	(607)	(26,505)	3,868	3,868
Change in liabilities, excluding loans and borrowings	15,699	5,754	(3,543)	(3,543)
Change in accruals and deferrals	(95)	(797)	3,260	3,260
Change in provisions	(2,415)	18,316	10,039	9,637
Income tax paid	(6,976)	(28,351)	(11,305)	(11,305)
Current tax recognised in the profit and loss account	4,089	11,864	7,144	7,144
Foreign exchange differences	19	70	(549)	(549)
Provision for retirement benefits	-	239	-	-
Revaluation of real property investment	-	779	-	-
Other adjustments	195	83	(184)	(184)
<b>Net cash from operating activities</b>	<b>21,405</b>	<b>72,643</b>	<b>17,493</b>	<b>17,493</b>
<b>Cash flows from investment activities</b>				
Sale of tangible fixed assets and intangible assets	7	894	38	38
Purchase of tangible fixed assets and intangible assets	(119,647)	(276,191)	(46,971)	(46,971)
Real property investment	(299)	(1,104)	(225)	(225)
Purchase of financial assets	-	(8,630)	(8,583)	(8,583)
Dividends received	-	278	-	-
Interest received	24	-	8	8
Repayment of borrowings granted	-	97	-	-
Borrowings granted	-	(9,354)	(2,400)	(2,400)
<b>Net cash from investing activities</b>	<b>(119,915)</b>	<b>(294,010)</b>	<b>(58,133)</b>	<b>(58,133)</b>
<b>Cash flows from financing activities</b>				
Inflows from loans and borrowings taken out	106,638	259,143	72,168	72,168
Payments of capital	-	1,371	-	-
Repayment of loans and borrowings	(42,937)	(86,696)	(93,011)	(93,011)
Repayment of leasing liabilities	(190)	(1,187)	(331)	(331)
Dividends paid to shareholders of the Parent Company	-	(4,780)	-	-
Interest paid	(2,118)	(8,221)	(464)	(464)
Subsidy	24,306	19,038	16,584	16,584
<b>Net cash from financing activities</b>	<b>85,699</b>	<b>178,668</b>	<b>(5,054)</b>	<b>(5,054)</b>
<b>Net increase (decrease) in cash and cash (equivalents)</b>	<b>(12,811)</b>	<b>(42,699)</b>	<b>(45,694)</b>	<b>(45,694)</b>
Net foreign exchange differences (from valuation of cash)	1,144	(311)	(1,223)	(1,223)
<b>Opening balance of cash</b>	<b>52,868</b>	<b>95,878</b>	<b>95,878</b>	<b>95,878</b>
<b>Closing balance of cash, including:</b>	<b>41,201</b>	<b>52,868</b>	<b>48,961</b>	<b>48,961</b>
of limited disposability	2,116	5,650	11,395	11,395

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for 3 months ended 31 March 2018

	Attributable to the shareholders of the Parent Company										
	Share capital	Share premium	Foreign exchange differences on consolidation	Revaluation reserve	Incentive Scheme	Retained earnings/ uncovered (loss)	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Total	Equity of non-controlling interest	Total equity
<b>As at 1 January 2018</b>	<b>23,931</b>	<b>114,556</b>	<b>(586)</b>	<b>(21,142)</b>	<b>2,354</b>	<b>108,251</b>	<b>46,479</b>	<b>358,807</b>	<b>632,650</b>	<b>3,311</b>	<b>635,961</b>
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2018 after adjustments</b>	<b>23,931</b>	<b>114,556</b>	<b>(586)</b>	<b>(21,142)</b>	<b>2,354</b>	<b>108,251</b>	<b>46,479</b>	<b>358,807</b>	<b>632,650</b>	<b>3,311</b>	<b>635,961</b>
Reclassification to reserve capital	-	-	-	-	-	-	-	-	-	-	-
Current result	-	-	-	-	-	7,274	-	-	7,274	4	<b>7,278</b>
Hedge accounting	-	-	-	-	-	6,198	(12,512)	-	(6,314)	-	<b>(6,314)</b>
Foreign exchange differences	-	-	9	-	-	-	-	-	9	-	<b>9</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>13,472</b>	<b>(12,512)</b>	<b>-</b>	<b>969</b>	<b>4</b>	<b>973</b>
<b>As at 31 March 2018</b>	<b>23,931</b>	<b>114,556</b>	<b>(577)</b>	<b>(21,142)</b>	<b>2,354</b>	<b>121,723</b>	<b>33,967</b>	<b>358,807</b>	<b>633,619</b>	<b>3,315</b>	<b>636,934</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for 3 months ended 31 March 2017 adjusted

	Attributable to the shareholders of the Parent Company										
	Share capital	Share premium	Foreign exchange differences on consolidation	Revaluation reserve	Incentive Scheme	Retained earnings/ uncovered (loss)	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Total	Equity of non-controlling interest	Total equity
<b>As at 1 January 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>797</b>	<b>17,654</b>	<b>2,354</b>	<b>151,519</b>	<b>(9,328)</b>	<b>249,079</b>	<b>549,190</b>	<b>3,206</b>	<b>552,396</b>
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	(5,823)	37	-	(5,786)	-	(5,786)
<b>As at 1 January 2017 after adjustments</b>	<b>23,901</b>	<b>113,214</b>	<b>797</b>	<b>17,654</b>	<b>2,354</b>	<b>145,696</b>	<b>(9,291)</b>	<b>249,079</b>	<b>543,404</b>	<b>3,206</b>	<b>546,610</b>
Current result	-	-	-	-	-	33,353	-	-	33,353	21	<b>33,374</b>
Hedge accounting	-	-	-	-	-	-	35,301	-	35,301	-	<b>35,301</b>
Foreign exchange differences	-	-	(549)	-	-	-	-	-	(549)	-	<b>(549)</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(549)</b>	-	-	<b>33,353</b>	<b>35,301</b>	-	<b>68,105</b>	<b>21</b>	<b>68,126</b>
<b>As at 31 March 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>248</b>	<b>17,654</b>	<b>2,354</b>	<b>179,049</b>	<b>26,010</b>	<b>249,079</b>	<b>611,509</b>	<b>3,227</b>	<b>614,736</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for 12 months ended 31 December 2017**

Attributable to the shareholders of the Parent Company											
	Share capital	Share premium	Foreign exchange differences on consolidation	Revaluation reserve	Incentive Scheme	Retained earnings/ uncovered (loss)	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Total	Equity of non-controlling interest	Total equity
<b>As at 1 January 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>797</b>	<b>17,654</b>	<b>2,354</b>	<b>151,519</b>	<b>(9,328)</b>	<b>249,079</b>	<b>549,190</b>	<b>3,206</b>	<b>552,396</b>
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	(5,823)	37	-	(5,786)	-	(5,786)
<b>As at 1 January 2017 after adjustments</b>	<b>23,901</b>	<b>113,214</b>	<b>797</b>	<b>17,654</b>	<b>2,354</b>	<b>145,696</b>	<b>(9,291)</b>	<b>249,079</b>	<b>543,404</b>	<b>3,206</b>	<b>546,610</b>
Share capital increase in connection with the implementation of the Incentive Scheme	30	1,342	-	-	-	-	-	-	1,372	-	<b>1,372</b>
Payment of dividend for 2016	-	-	-	-	-	(4,780)	-	-	(4,780)	-	<b>(4,780)</b>
Reclassification to reserve capital	-	-	-	-	-	(109,728)	-	109,728	-	-	-
Other adjustments	-	-	-	-	-	3	-	-	3	-	<b>3</b>
Provisions for employee benefits	-	-	-	-	-	95	-	-	95	-	<b>95</b>
Current result	-	-	-	-	-	76,965	-	-	76,965	105	<b>77,070</b>
Hedge accounting	-	-	-	-	-	-	55,770	-	55,770	-	<b>55,770</b>
Investment certificates	-	-	-	(38,796)	-	-	-	-	(38,796)	-	<b>(38,796)</b>
Foreign exchange differences	-	-	(1,383)	-	-	-	-	-	(1,383)	-	<b>(1,383)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,383)</b>	<b>(38,796)</b>	<b>-</b>	<b>77,060</b>	<b>55,770</b>	<b>-</b>	<b>92,651</b>	<b>105</b>	<b>92,756</b>
<b>As at 31 December 2017</b>	<b>23,931</b>	<b>114,556</b>	<b>(586)</b>	<b>(21,142)</b>	<b>2,354</b>	<b>108,251</b>	<b>46,479</b>	<b>358,807</b>	<b>632,650</b>	<b>3,311</b>	<b>635,961</b>

## 1. General information

The FABRYKI MEBLI "FORTE" S.A. Capital Group (the "Group") consists of FABRYKI MEBLI "FORTE" S.A. and its subsidiaries (see Note 2). The Group's condensed interim consolidated financial statements cover the 3-month period ended 31 March 2018, and contain the following comparative data: for the interim consolidated profit and loss account and the interim consolidated statement of comprehensive income – for the period of 3 months ended 31 March 2017, and for the condensed interim consolidated statement of financial position, for the condensed interim consolidated statement of changes in equity, and for the condensed interim consolidated cash flow statement – for the period of 3 months ended 31 March 2017 and for the year ended 31 December 2017.

The Parent Company FABRYKI MEBLI "FORTE" S.A. was established following a transformation of FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint-stock company on 9 December 1994. Initially, that is from 17 June 1992, the Company conducted its activity under the name of "FORTE" Sp. z o.o. On 25 November 1993, pursuant to a notarial deed, "FORTE" Sp. z o.o. was merged with FABRYKI MEBLI "FORTE" Sp. z o.o. Prior to its transformation into a joint-stock company, the Company operated under the name FABRYKI MEBLI "FORTE" Sp. z o.o.

The Parent Company is entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw, 14<sup>th</sup> Commercial Division of the National Court Register (formerly: 21<sup>st</sup> Commercial Division), under KRS number 21840.

The Parent Company was assigned Statistical ID (REGON) number: 550398784.

The duration of the Parent Company and entities included in the Capital Group is unlimited.

Main activities of the Parent Company include:

- manufacture of furniture;
- conducting trading activities in Poland and abroad;
- provision of services in the scope of marketing, promotion, organisation of exhibitions, conferences.

## 2. Composition of the Group

### Parent Company:

Fabryki Mebli "FORTE" S.A. as the parent company conducts its business through four domestic Branches:

- Ostrów Mazowiecka ul. Biała 1 – the head office of the Company together with the Management Board and manufacturing plant;
- Suwałki, ul. Północna 30 – manufacturing plant;
- Białystok, ul. Generała Andersa 11 – manufacturing plant;
- Hajnówka, ul. 3-go Maja 51 – manufacturing plant;

and furniture showrooms in Wrocław, Toruń, Suwałki and Ostrów Mazowiecka.

Together with other entities, the Parent Company forms the Capital Group. As at 31 March 2018,

the Capital Group was composed of:

Consolidated subsidiaries:

Subsidiaries (full consolidation method):	Registered office	Scope of activities	Percentage share of the Group in the capital	
			31.03.2018	31.12.2017
MV FORTE GMBH	Erkelenz (Germany)	Dealership	100%	100%
FORTE MÖBEL AG	Baar (Switzerland)	Dealership	99%	99%
KWADRAT SP. Z O.O.	Bydgoszcz	Real estate service and lease	81%	81%
*GALERIA KWADRAT SP. Z O.O.	Bydgoszcz	Management of real property	81%	81%
TM HANDEL SP. Z O.O. SKA	Ostrów Mazowiecka	Purchase, sale and management of real property, advisory services regarding	100%	100%

**FORT INVESTMENT SP. Z O.O.	Ostrów Mazowiecka	conducting business activity and management <i>Purchase, sale and management of real property, advisory services regarding conducting business activity and management</i>	100%	100%
TANNE SP. Z O.O.**	Ostrów Mazowiecka	Manufacturing activities	100%	100%
DYSTRI-FORTE SP. Z O.O.****	Ostrów Mazowiecka	Warehousing and storage	100%	100%
FORTE BRAND SP. Z O.O.*****	Ostrów Mazowiecka	Leasing of intellectual property, renting and operating of real estate	100%	100%

\* indirectly related company – wholly-owned subsidiary of KWADRAT SP. Z O.O.

\*\* indirectly related company – wholly-owned subsidiary of TM HANDEL SP. Z O.O. SKA

\*\*\*change of the registered office to Ostrów Mazowiecka on 13.03.2018

\*\*\*\* change of the registered office to Ostrów Mazowiecka on 02.02.2018

\*\*\*\*\* change of the name from Terceira Sp. z o.o. to FORTE-BRAND Sp. z o.o., and change of the registered office to Ostrów Mazowiecka on 15.02.2018

Fabryki Mebli "FORTE" S.A. has 100% share in its subsidiary, Forte Brand Sp. z o.o. (formerly: Terceira Sp. z o.o.), subject to full consolidation method in these consolidated financial statements.

Forte Brand Sp. z o.o. has investment certificates (A series) of the SEZAM XX non-public assets closed investment fund (hereinafter: "FIZAN"). FIZAN was established and is managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. The investment portfolio of FIZAN contains 100% shares in Bentham Sp. z o.o. which purchased approx. 8.58% shares in Fabryki Mebli "FORTE" S.A. of the value of PLN 156,825 thousand on the day of purchase.

FIZAN was not subject to consolidation in the consolidated financial statements, as the management agreements concluded between Forte Brand Sp. z o.o. and SKARBIEC TFI indicated the absence of control, in the meaning of IFRS 10, and therefore, the absence of the obligation to include FIZAN in the consolidated financial statements of the Group.

Jointly-controlled subsidiaries consolidated using the equity method:

<b>Subsidiaries (consolidation with the equity method):</b>	<b>Registered office</b>	<b>Scope of activities</b>	<b>Percentage share of the Group in the capital 31.03.2018</b>
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	Chennai (India)	Manufacture and sale of furniture	50%

Other subsidiaries are excluded from consolidation due to insignificant impact of their financial data on the consolidated statements.

<b>Other entities</b>	<b>Registered office</b>	<b>Scope of activities</b>	<b>Percentage share of the Group in the capital 31.03.2018</b>
FORTE BALDAI UAB	Vilnius (Lithuania)	Dealership	100%
FORTE SK S.R.O.	Bratislava (Slovakia)	Dealership	100%
FORTE FURNITURE LTD	Preston, Lancashire (United Kingdom)	Dealership	100%
FORTE IBERIA SLU	Valencia (Spain)	Dealership	100%
FORTE MOBILIER SARL	Lyon (France)	Dealership	100%
TM HANDEL SP. Z O.O.	Warsaw	Advisory services regarding conducting business activity and management	100%

ANTWERP SP. Z O.O. in liquidation	Warsaw	Activities of head offices and holding companies	100%
FORESTIVO SP. Z O.O.	Suwałki	Support services to forestry, sawmilling and planing of wood	50%
ANTWERP FP SP. Z O.O.	Warsaw	Agents involved in the sale of furniture	100%

As at 31 March 2018 and as at 31 December 2017, the percentage of total voting rights held by the Parent Company in the subsidiaries corresponded to the percentage held in the share capital of those entities.

#### Changes made to the composition of the Group during the reporting period

There were no changes in the composition of the FORTE Capital Group in the current reporting period.

### 3. Composition of the Management Board of the Parent Company

Composition of the Management Board of the Parent Company as at 31 March 2018:

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

Composition of the Parent Company's Management Board as at the date of publication of the statements:

- Maciej Formanowicz – President of the Management Board
- Mariusz Jacek Gazda – Member of the Management Board
- Klaus Dieter Dahlem – Member of the Management Board
- Maria Małgorzata Florczuk – Member of the Management Board
- Andreas Disch – Member of the Management Board

On 8 May 2018, Mr Gert Coopmann resigned from the function of Member of the Issuer's Management Board. The resignation was due to personal matters. At the same time, Mr Gert Coopmann will still work with the Parent Company to provide work to the subsidiary, i.e. Möbelvertrieb FORTE GmbH with its registered office in Erkelenz (Germany).

On 8 May 2018, the Parent Company's Supervisory Board appointed Mr Andreas Disch Member of the Management Board of Fabryki Mebli "FORTE" S.A.

### 4. Composition of the Parent Company's Supervisory Board:

Composition of the Supervisory Board of the Parent Company as at 31 March 2018 and at the date of publication of the statements:

Zbigniew Sebastian – Chairman  
 Bernard Woźniak – Deputy Chairman  
 Stanisław Krauz – Member  
 Tomasz Domagalski – Member  
 Jerzy Smardzewski – Member

### 5. Basis for preparation of the consolidated financial statements

These condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 and the International Financial Reporting Standards ("IFRS") endorsed by the EU.

These condensed consolidated financial statements are presented in PLN (PLN) and all values, unless indicated otherwise, are stated in PLN thousand (PLN).



These consolidated financial statements were drawn up with the assumption of the Group continuing as a going concern in the foreseeable future. As at the date of approval of these financial statements, no facts or circumstances were identified that would indicate a threat to the continuation of activities by the Group for at least 12 months after the end of the reporting period as a result of any intended or compulsory discontinuation or significant limitation in the activities of the Group.

These condensed consolidated financial statements have been prepared in accordance with the same accounting principles and calculation methods as the last annual financial statements. Hence, they do not include information and disclosures required in full financial statements and should be read together with the annual consolidated financial statements for the financial year ended 31 December 2017.

## **6. Changes in accounting principles / principles of presenting data in financial statements and error correction**

### **6.1. Changes in accounting principles**

During the preparation of the condensed consolidated interim financial statements and the condensed separate interim financial statements, the same general principles were applied as in the case of preparation of the annual consolidated financial statements for the period that ended on 31 December 2017, published on 5 April 2018, with the exception of use of the following changes to standards applicable to annual periods beginning on after 1 January 2018:

The Group applied the requirements of IFRS 9 and IFRS 15 with a modified retrospective effect, with effect as of 1 January 2018. According to the standard, the Group waived the restatement of comparative data, and as at 1 January 2018, it recognised all consequences of changes as retained earnings.

#### *IFRS 9 Financial instruments*

The new standard was published on 24 July 2014 and is applied to annual periods starting on 1 January 2018 or later.

The standard aims at organising the classification of financial assets and introducing uniform rules of approaching the assessment of impairments regarding all financial instruments.

The standard introduces the following categories of financial assets:

- valuation at amortised cost
- fair value measurement through financial result
- fair value measurement through other comprehensive income

The classification is performed as at the initial recognition and depends on the financial instrument management model adopted by the Group, as well as the contractual cash flows from those instruments.

IFRS 9 introduces a new model for determining revaluation write-downs. This model is based on expected credit losses.

Changes in the scope of hedge accounting were aimed at a better adaptation of hedge accounting to risk management.

Note 6.2 presents main areas of implementation of IFRS 9.

#### *IFRS 15 Revenue from Contracts with Customers*

The new harmonised standard was published on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard determines uniform framework for recognising revenue and contains principles which will replace most of the detailed guidelines in the scope of recognising revenue which now exist in the IFRS, in particular in IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The Group applied the new standard from 1 January 2018, but the analysis of sources of revenue made by the Group showed that the introduction of changes due to the application of IFRS 15 would have no effect on the financial result, the statement of financial position and the Group's capitals.

## 6.2. Impact of the application of IFRS 9 on the Group's financial statements

### 6.2.1 Classification of financial instruments

As of 1 January 2018, the Group has classified the instruments according to the adopted business model in the following valuation categories:

- Valued at amortised cost  
These are debt instruments held to collect contractual cash flows that include only principal repayments and interest (they satisfy the SPPI Test).  
This category includes financial assets that satisfy the SPPI Test in the form of loans granted, trade receivables, cash loans, bank loans and trade liabilities.
- Fair value measurement through financial result  
This category includes any instruments that do not meet the criteria of measurement at amortised cost or fair value through other comprehensive income.  
This category includes in particular financial instruments not satisfying the SPPI Test. Gains or losses arising from valuation of such assets are recognised in the financial result in the period in which they arise.
- Fair value measurement through other comprehensive income  
The Group has elected pricing equity instruments in the form of investment certificates to fair value through other comprehensive income. In this situation, changes in fair value are not subject to reclassification to profit or loss and the derecognition of these investments will not be recognised in the financial result. This category comprises financial instruments in the form of options constituting hedge accounting and investment certificates.
- Hedge accounting valuation  
The Group, when valuing hedging instruments in accordance with the assumptions in IFRS 9, verifies the existence of a relationship between the hedging instrument and the hedged item at each reporting point of reference and conducts valuation by separating the internal and time value. The effects of such valuation are recognised in other comprehensive income.

### 6.2.2 Effects of IFRS 9 application

For the Group, the most significant item are the financial instruments measured at amortised cost, including impairment write-downs. Trade receivables with the maturity date less than 12 months from the day they arise, and not subject to factoring, are not discounted and are measured at nominal value. For the purposes of analysis of the expected credit losses, the Group conducted a portfolio analysis and applied a simplified write-down matrix in individual age ranges. The analysis was performed based on historical data, taking into account default indicators, and then adjusted for expected future events. The Group, taking into account the materiality principle, has decided not to implement the above adjustment.

In addition, since January 1, 2018, the Group has applied a new standard for hedge accounting.

In the reporting period ended 31 December 2017, in accordance with IAS 39, the Group recognised in the income statement, under the "Profit (loss) from derivative financial instruments," the time value of the option strategy in the amount of (-) PLN 7,652 thousand, the IRS time value in the amount of (+) PLN 57 thousand, and deferred tax in the amount of PLN 1,454 thousand.

In accordance with IFRS 9, as at 1 January 2018, both the intrinsic value and the time value of hedging options in hedge accounting have been recognised in the Group's capital. In the consolidated financial statements, the Group reported the effect of reversal of the time value of options at the end of 2017, showing the impact on retained earnings as at 1 January 2018 in the amount of PLN 6,198 thousand.

## 6.3. Error adjustment

In the reporting period ended 3 March 2018, the Group adjusted the basic error for the period of 3 months of 2017, adjusting the valuation principles for hedge accounting to the requirements of IAS 39.

When performing the valuation of option strategies as at 31 March 2017, the Group did not separate the intrinsic value and the time value of currency options. Since IAS 39 allows to specify only the intrinsic value of options as the hedging instrument, the Group measured the portfolio of the hedging instruments again, separating the intrinsic value and the time value of options. As at 31 March 2017, the time value of active options was (-) PLN 4,630 thousand, and according to IAS 39 guidelines was presented in the profit and loss account as "Profit (loss) from derivative financial instruments," and in the amount of PLN 880 thousand as deferred tax. The intrinsic value of options was (-) PLN 34,171 thousand, and following a reduction by deferred tax of PLN 6,492 thousand, was presented in the statement of financial position, as "revaluation reserve from valuation of hedging instruments," together with the IRS valuation, which amounted to PLN (+) 1,668 thousand as at 31 March 2017.

In the comparative period, in the above-mentioned items of the statements, the Group also recognised the reversal of the effect of valuation of option strategies active as at 31 December 2016. This resulted in the introduction of the following amounts to the statements:

- withdrawal of the time value of active options as at 31 December 2016 in the amount of PLN (+) 7,189 thousand presented in the profit and loss account as "Profit (loss) from derivative financial instruments;"
- in the amount of (-) PLN 1.366 thousand in the deferred tax item;

The impact of changes in the error adjustment and changes in the method of presentation on the Group's financial statements is presented in the tables below.

Further in these consolidated financial statements, for the comparative period 31 March 2017, adjusted data are presented.

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>	<b>31 March 2017</b>	<b>31 March 2017 adjusted</b>	<b>Impact of the adjustment on the statements</b>
<b>Continued operations</b>			
Revenue from sales of goods, products and materials	291,995	291,995	-
Revenue from sales of services	1,664	1,664	-
<b>Sales revenue</b>	<b>293,659</b>	<b>293,659</b>	-
Cost of sales of sold goods, products and materials	(177,495)	(177,495)	-
Cost of sales of sold services	(1,256)	(1,256)	-
<b>Cost of sales</b>	<b>(178,751)</b>	<b>(178,751)</b>	-
<b>Gross profit (loss) from sales</b>	<b>114,908</b>	<b>114,908</b>	-
Other operating revenue	517	517	-
Costs of sales	(59,618)	(59,618)	-
General administrative costs	(13,388)	(13,388)	-
Other operating costs	(2,053)	(2,053)	-
<b>Profit (loss) on operating activities</b>	<b>40,366</b>	<b>40,366</b>	-
Financial revenue	32	32	-
Financial costs	(1,841)	(1,841)	-
Profit (loss) on derivative financial instruments	43	2,601	2,558
Share in profit/loss of subsidiaries valued at equity method	-	-	-
<b>Profit (loss) before tax</b>	<b>38,600</b>	<b>41,158</b>	<b>2,558</b>
Income tax	(7,298)	(7,784)	(486)
<b>Profit (loss) on continued operations of the period</b>	<b>31,302</b>	<b>33,374</b>	<b>2,072</b>
<b>Discontinued operations</b>	-	-	-
<b>Profit (loss) on discontinued operations of the period</b>	-	-	-
<b>Profit (loss) of the period</b>	<b>31,302</b>	<b>33,374</b>	<b>2,072</b>
<b>Attributable to:</b>			
<b>Shareholders of the Parent Company</b>	<b>31,281</b>	<b>33,353</b>	<b>2,072</b>
<b>Non-controlling shareholders</b>	21	21	21

<b>Profit (loss) per share attributable to shareholders of the Parent Company in the period (in PLN):</b>			
- basic	1.31	1.40	0.09
- diluted	1.31	1.40	0.09

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>31 March 2017</b>	<b>31 March 2017 adjusted</b>	<b>Impact of the adjustment on the statements</b>
<b>Profit (loss) of the period</b>	<b>31,302</b>	<b>33,374</b>	<b>2,072</b>
<b>Other net comprehensive income, including:</b>	<b>38,537</b>	<b>34,752</b>	<b>(3,785)</b>
<b>Items which in the future will not be reclassified to the profit and loss account</b>	-	-	-
Hedge accounting (IFRS 9 adjustment)	-	-	-
<b>Items which in the future may be reclassified to the profit and loss account</b>	<b>38,537</b>	<b>34,752</b>	<b>(3,785)</b>
Foreign exchange differences on translation of foreign operations	(549)	(549)	-
Hedge accounting	48,646	43,973	(4,673)
Income tax on other comprehensive income	(9,560)	(8,672)	888
<b>Total comprehensive income for the period</b>	<b>69,839</b>	<b>68,126</b>	<b>(1,713)</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company	69,818	68,105	(1,713)
Non-controlling shareholders	21	21	-

	<b>31 March 2017</b>	<b>31 March 2017 adjusted</b>	<b>Impact of the adjustment on the statements</b>
<b>CONSOLIDATED BALANCE SHEET</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>686,299</b>	<b>677,995</b>	<b>(8,304)</b>
Tangible fixed assets	396,760	396,760	-
Intangible assets	16,332	16,332	-
Financial assets	170,029	170,029	-
Investment properties	73,171	73,171	-
Investments valued at equity method	-	-	-
Receivables due to derivative financial instruments	30,007	21,703	(8,304)
<b>Current assets</b>	<b>523,753</b>	<b>522,799</b>	<b>(954)</b>
Inventory	139,878	139,878	-
Trade and other receivables	322,095	322,095	-
Receivables due to derivative financial instruments	8,834	7,880	(954)
Income tax receivables	91	91	-
Provisions, deferred revenues and accruals	3,725	3,725	-
Financial assets	169	169	-
Cash and cash equivalents	48,961	48,961	-
<b>TOTAL ASSETS</b>	<b>1,210,052</b>	<b>1,200,794</b>	<b>(9,258)</b>
<b>LIABILITIES</b>			
<b>Total equity</b>	<b>622,235</b>	<b>614,736</b>	<b>(7,499)</b>

<b>Equity (attributable to shareholders of the Parent Company), including:</b>	<b>619,008</b>	<b>611,509</b>	<b>(7,499)</b>
Basic equity	23,901	23,901	-
Surplus of share sale above their nominal value	113,214	113,214	-
Exchange differences on translation of foreign operations	248	248	-
Revaluation reserve from hedging instruments	29,758	26,010	(3,748)
Other revaluation reserves	17,654	17,654	-
Incentive scheme	2,354	2,354	-
Other reserve capital	249,079	249,079	-
Retained earnings	182,800	179,049	(3,751)
<b>Capital attributable to non-controlling shareholders</b>	<b>3,227</b>	<b>3,227</b>	<b>-</b>
<b>Long-term liabilities</b>	<b>393,776</b>	<b>392,017</b>	<b>(1,759)</b>
Interest-bearing loans and borrowings	359,096	359,096	-
Deferred income tax provision	12,787	11,028	(1,759)
Provision for benefits after the employment period	3,390	3,390	-
Provisions, deferred revenues and accruals	16,591	16,591	-
Financial liabilities due to lease	657	657	-
Other long-term liabilities	1,255	1,255	-
<b>Short-term liabilities</b>	<b>194,041</b>	<b>194,041</b>	<b>-</b>
Trade and other liabilities	158,933	158,933	-
Current portion of interest-bearing loans and borrowings	26,689	26,689	-
Income tax liabilities	3,265	3,265	-
Provisions, deferred revenues and accruals	-	-	-
Provisions	2,556	2,556	-
Financial liabilities due to lease	930	930	-
Liabilities due to derivative financial instruments	1,668	1,668	-
<b>Total liabilities</b>	<b>587,817</b>	<b>586,058</b>	<b>(1,759)</b>
<b>TOTAL LIABILITIES</b>	<b>1,210,052</b>	<b>1,210,794</b>	<b>(9,258)</b>

	31 March 2017	31 March 2017 adjusted	Impact of the adjustment on the statements
<b>CONSOLIDATED CASH FLOW STATEMENT</b>			
<b>Cash flows from operating activities</b>			
<b>Profit (loss) of the period</b>	<b>31,281</b>	<b>33,353</b>	<b>2,072</b>
<b>Adjustments by:</b>	<b>(13,788)</b>	<b>(15,860)</b>	<b>(2,072)</b>
Share in profit (loss) of entities measured with the equity method (Profit)/loss of non-controlling shareholders	21	21	-
Amortisation and depreciation	6,129	6,129	-
Foreign exchange (gains)/losses	(11,005)	(11,005)	-
Net interest and dividends	1,676	1,676	-
(Profit)/loss on investment activities	18	18	-
Change in the valuation of derivative financial instruments	(9,604)	(11,274)	(1,670)
Change in receivables	(9,753)	(9,753)	-
Change in inventories	3,868	3,868	-
Change in liabilities, excluding loans and borrowings	(3,543)	(3,543)	-
Change in accruals and deferrals	3,260	3,260	-
Change in provisions	10,039	9,637	(402)
Income tax paid	(11,305)	(11,305)	-
Current tax recognised in the profit and loss account	7,144	7,144	-
Foreign exchange differences	(549)	(549)	-
Provision for retirement benefits	-	-	-
Revaluation of real property investment	-	-	-
Other adjustments	(184)	(184)	-
<b>Net cash from operating activities</b>	<b>17,493</b>	<b>17,493</b>	<b>-</b>

<b>Cash flows from investment activities</b>			
Sale of tangible fixed assets and intangible assets	38	38	-
Purchase of tangible fixed assets and intangible assets	(46,971)	(46,971)	-
Real property investment	(225)	(225)	-
Purchase of financial assets	(8,583)	(8,583)	-
Dividends received	-	-	-
Interest received	8	8	-
Repayment of borrowings granted	-	-	-
Borrowings granted	(2,400)	(2,400)	-
<b>Net cash from investing activities</b>	<b>(58,133)</b>	<b>(58,133)</b>	-
<b>Cash flows from financing activities</b>			
Inflows from loans and borrowings taken out	72,168	72,168	-
Payments of capital	-	-	-
Repayment of loans and borrowings	(93,011)	(93,011)	-
Repayment of leasing liabilities	(331)	(331)	-
Dividends paid to shareholders of the Parent Company	-	-	-
Interest paid	(464)	(464)	-
Subsidy	16,584	16,584	-
<b>Net cash from financing activities</b>	<b>(5,054)</b>	<b>(5,054)</b>	-
<b>Net increase (decrease) in cash and cash (equivalents)</b>	<b>(45,694)</b>	<b>(45,694)</b>	-
Net foreign exchange differences (from valuation of cash)	(1,223)	(1,223)	-
<b>Opening balance of cash</b>	<b>95,878</b>	<b>95,878</b>	-
<b>Closing balance of cash, including:</b>	<b>48,961</b>	<b>48,961</b>	-
of limited disposability	11,395	11,395	-

## 7. Foreign currency translation

Transactions expressed in foreign currencies are converted to PLN at the exchange rate applicable as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted to PLN at average exchange rate of the National Bank of Poland applicable as at the reporting date. The resulting foreign exchange differences are recognised under financial revenue/costs or, in the cases provided for in the accounting policy, capitalised in assets.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted at the average exchange rate applicable as at the date of the measurement at fair value.

Financial statements of foreign entities are translated to the Polish currency in the following manner:

- respective balance sheet items — at average rate determined by the National Bank of Poland as at the balance sheet date;

- Möbelvertrieb Forte GmbH – EUR – 4.2085
- Forte Möbel AG – CHF – 3.9461
- FORTE FURNITURE PRODUCTS INDIA PVT. LTD – INR – 0.0524

- respective items of the profit and loss account — at the exchange rate constituting the arithmetic mean of average exchange rates determined by the National Bank of Poland as at the last day of each month.

- Möbelvertrieb Forte GmbH – EUR – 4.1784
- Forte Möbel AG – CHF – 3.5945
- FORTE FURNITURE PRODUCTS INDIA PVT. LTD – INR – 0.0524

The foreign exchange differences arising from the translation to the presentation currency are taken directly to equity and recognised as a separate item. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognised in equity and relating to that particular foreign operation shall be recognised in the profit and loss account.

## 8. Seasonality of operations

Seasonality can be observed in the Group's sales revenue.

The value of sales revenue achieved in the presented reporting periods is presented below:

	Country	share in total sales for the quarter in %	Export	share in total sales for the quarter in %	Revenues from sales of products, materials, goods and services	Share in annual sales in %
Q1 2018	36,254	12%	259,259	88%	295 513	
<b>Total for 2018</b>	<b>36,254</b>		<b>259,259</b>		<b>295,513</b>	
Q1 2017	36,263	12%	257,396	88%	293,659	27%
Q2 2017	35,880	15%	206,715	85%	242,595	22%
Q3 2017	45,155	17%	222,595	83%	267,750	24%
Q4 2017	45,095	15%	247,131	85%	292,226	27%
<b>Total for 2017</b>	<b>162,393</b>	<b>15%</b>	<b>933,837</b>	<b>85%</b>	<b>1,096,230</b>	<b>100%</b>

## 9. Information on operating segments

The Parent Company does not identify operating segments within the meaning of IFRS 8.

## 10. Revenue and costs

### 10.1. Sales revenue

Sales revenue	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Revenue from sales of goods, products and materials		
- products	287,626	288,210
- goods	2,309	1,931
- materials	3,525	1,854
Revenue from sales of services	2,053	1,664
<b>Total net revenue from sales</b>	<b>295,513</b>	<b>293,659</b>
- of which from related entities	2,801	(54)*

\* sales adjustments issued to a non-consolidated subsidiary, TM Handel Sp. z o.o.

### Information on key customers

The Capital Group's largest customers are Steinhoff International Group with its registered office in France and Roller GmbH with its registered office in Germany. Sales to Roller GmbH and the Steinhoff Group accounted for more than 10% of the Issuer's total sales. There are no formal ties between the customers and the Group.

### 10.2. Other operating revenue

Other operating revenue	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Release of write-downs	13	42
Gains on disposal of tangible fixed assets	6	26
Subsidies	76	6
Donations and compensations	97	194
Other	47	249
<b>Total other operating revenue</b>	<b>239</b>	<b>517</b>

**10.3. Other operating costs**

Other operating costs	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Recognition of write-downs	8	-
Loss on sale of tangible fixed assets	-	16
Scrapping of inventory	746	1,013
Donations	64	157
Penalties and compensations	523	572
Other	149	295
<b>Total other operating costs</b>	<b>1,490</b>	<b>2,053</b>

**10.4. Financial revenue**

Financial revenue	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Interest	80	31
Other	-	1
<b>Total financial revenue</b>	<b>80</b>	<b>32</b>

**10.5. Financial costs**

Financial costs	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Interest on loans and leases	2,101	1,692
Commission on loans	1	34
Surplus of FX losses over FX gains	1,996	115
<b>Total financial costs</b>	<b>4,098</b>	<b>1,841</b>

**10.6. Costs by type**

Costs by type	For the reporting period ended	
	31.03.2018	31 March 2017 adjusted
Amortisation and depreciation	7,467	6,129
Consumption of materials and energy	147,942	137,664
External services	56,729	50,798
Taxes and fees	2,701	2,490
Payroll	42,971	41,268
Social insurance and other benefits	12,363	12,081
Other costs by type	3,467	3,073
	<b>273,640</b>	<b>253,503</b>
Change in inventories, prepayments and accruals	(360)	(4,372)
Manufacturing cost of products for internal purposes	(520)	(948)
Costs of sales	(62,542)	(59,618)
General administrative costs	(14,493)	(13,388)
<b>Manufacturing cost of products and services sold</b>	<b>195,725</b>	<b>175,177</b>
<b>Value of goods and materials sold</b>	<b>5,599</b>	<b>3,574</b>
<b>Cost of sales</b>	<b>201,324</b>	<b>178,751</b>



### Information on key suppliers

No transactions with any of the suppliers exceeded 10% of the Group's sales revenue.

### 11. Changes in accounting estimates

As at 31 March 2018, the Group made the following changes in accounting estimates in comparison to 31 December 2017 and 31 March 2017:

#### Change in provisions

Provisions	31.03.2018	As at 31.12.2017	31 March 2017 adjusted
Provision for deferred tax	7,811	10,234	11,028
Benefits after the employment period	3,602	3,601	3,390

#### Provisions and accrued liabilities

Prepayments	31.03.2018	As at 31.12.2017	1 March 2017 adjusted
Property and motor insurance	900	1,411	1,280
Perpetual usufruct	845	-	845
Fairs	-	185	-
Settlement of project costs	1,447	1,229	730
Business trips	17	24	29
Licences	111	109	88
Other	697	1,046	753
	<b>4,017</b>	<b>4,004</b>	<b>3,725</b>

Deferred income	31.03.2018	As at 31.12.2017	1 March 2017 adjusted
Subsidy – long-term portion	42,673	18,771	16,591
Subsidy – short-term portion	602	280	-
	<b>43,275</b>	<b>19,051</b>	<b>16,519</b>

Short-term provisions	31.03.2018	31.12.2017	31 March 2017 adjusted
Short-term provisions for benefits after the employment period	439	432	423
Provision for guarantee repairs	2,284	2,284	2,133
	<b>2,723</b>	<b>2,716</b>	<b>2,556</b>

The amount of PLN 43,275 thousand disclosed under deferred income is related to a subsidy for an investment project involving

the construction of a plant for the production of wood-based panels received by a subsidiary, TANNE Sp. z o.o., from the Ministry of Development and Finance under the Programme for supporting investments of significant importance for the Polish economy. The maximum subsidy to be awarded under the programme may amount to PLN 57,000 thousand.

## 12. Change in write-downs on assets

	31.03.2018	31.12.2017	31 March 2017 adjusted
Write-downs on short-term receivables	1,477	1,737	1,823
Write-downs on inventories	8,419	8,419	8,754

### Write-downs on receivables

	31.03.2018	31.12.2017	31 March 2017 adjusted
Write-downs on receivables			
Write-down as at 1 January	1,737	1,960	1,960
Foreign exchange differences	20	(34)	(11)
Creation	-	679	-
Used	(55)	(256)	(42)
Release	(225)	(612)	(84)
Impairment at the end of the period	1,477	1,737	1,823

### Write-downs on inventories

	31.03.2018	31.12.2017	31 March 2017 adjusted
Inventories revaluation write-downs			
Write-down as at 1 January	8,419	8,754	8,754
Increase	-	671	-
Decrease	-	(1,006)	-
Impairment at the end of the period	8,419	8,419	8,754

## 13. Tangible fixed assets

The carrying amount of machinery and equipment used as at 31 March 2018 by the Group on the basis of financial leases and lease agreements with the option to buy is PLN 1,655 thousand, of which PLN 322 thousand relates to the lease of machinery and equipment, and PLN 1,333 thousand – to the lease of means of transport (as at 31 December 2017: PLN 1,536 thousand; as at 31 March 2017: PLN 2,919 thousand).

### Assets pledged as security

Land and buildings with a carrying amount of PLN 287,657 thousand are covered by mortgages established as collateral for bank loans of the Group (as at 31 December 2017: PLN 278,556 thousand; as at 31 March 2017: PLN 102,514 thousand).

In addition, registered pledges are established on machinery and equipment with the carrying value of PLN 517,642 thousand (as at 31 December 2017: PLN 396,383 thousand; as at 31 March 2017: PLN 164,669 thousand).

The capitalised external financing cost in the reporting period ended 31 March 2018 is PLN 1,978 thousand (as at 31 December 2018: PLN 8,519 thousand, as at 31 March 2018: PLN 1,508 thousand).

### Capital commitments

As at 31 March 2018, the Group's capital commitments are PLN 7,835 thousand (as at 31 December 2017: PLN 81,435, as at 31 March 2017: PLN 12,178). This amount concerns primarily the expenditures on tangible fixed assets under construction and the purchase of machinery and equipment.

#### Purchase and sale

In the period of 3 months ended 31 March 2018, the Group incurred expenditure on tangible fixed assets in the amount of PLN 47,720 thousand (in the comparative period ended 31 March 2017: PLN 41,004 thousand), and sold fixed assets with a value of PLN 7 thousand net (in the comparative period ended 31 March 2017: PLN 32 thousand).

The most significant investments of the Group in the Q1 2018 are: expenditure incurred by TANNE Sp. z o.o. for an investment involving the board factory in Suwałki, in the amount of PLN 44,716.

#### 14. Intangible assets

##### Expenditure on research and development

In the reporting period ended 31 March 2018, the Group recognised the amount of PLN 77 thousand in the profit and loss account, in respect of research expenditures concerning innovative technological projects (in the comparative period ended 31 December 2017: PLN 1,111 thousand, 31 March 2017: PLN 398 thousand).

##### Purchase and sale

In the period of 3 months ended 31 March 2018, the Group purchased intangible fixed assets with the value of PLN 222 thousand (in the comparative period ended 31 December 2017: PLN 701 thousand, 31 March 2017: PLN 241 thousand). All increases in intangible assets are the result of completed development works and relate to the new design of furniture.

##### Description of securities established on intangible assets

On 16 December 2016, TERCEIRA Sp. z o.o. (now: Forte Brand Sp. z o.o.) contracted a loan with ING Bank Śląski S.A. for the purchase of investment certificates of SEZAM XX Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Closed-end Non-Public Assets Investment Fund) in the amount of PLN 145,500 thousand.

In connection with the loan, a registered pledge was established on the protection right to the word and figurative trade mark "FORTE," up to the maximum secured amount of PLN 174,600 thousand.

##### Intangible assets with indefinite useful life

The only intangible asset with indefinite useful life is a trademark.

The Group was unable to determine the period of use of the trademark, because there is no foreseeable limit of the period during which it expects to reap economic benefits from the sale under the FORTE trademark.

#### 15. Non-current assets classified as available for sale

As at 31 March 2018, the Group did not have non-current assets classified as available for sale.

#### 16. Provisions from revaluation of financial instruments

Revaluation reserve from financial instruments

	As at		
	31.03.2018	31.12.2017	31.03.2017 adjusted
Accumulated gain or loss on financial instruments hedging future cash flows as at the beginning of the financial period	46,479	(9,291)	( 9,328)
Adjustment 2016	-	-	37
Amount recognised in equity in the reporting period due to hedging transactions	(10,069)	71,940	43,973
Amount recognised in profit and loss account due to:			
- <i>ineffectiveness of the transactions concluded</i>	-	-	-
- <i>execution of hedged transactions</i>	(5,381)	(2,725)	-
- <i>discontinuance of hedge accounting</i>	-	-	-
Deferred income tax	2,938	(13,445)	(8,672)
<b>Accumulated gain or loss on financial instruments hedging future cash flows as at the end of the financial period</b>	<b>33,967</b>	<b>46,479</b>	<b>26,010</b>

### 17. Dividend paid and proposed

On 8 May 2018, the Parent Company's Supervisory Board, at the request of the Management Board, decided to submit to the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. a proposal for distribution of net profit for the financial year 2017 in the amount of PLN 54,405 thousand, which assumed the allocation of the entire net profit for the financial year 2017 to reserve capital.

### 18. Earnings per share

Figures concerning the profit and shares used for the calculation of basic and diluted earnings per share are presented below:

	For the 3 months ended	
	31.03.2018	31 March 2017 adjusted
Net profit (loss) from continued operations	7,278	33,374
Loss from discontinued operations	-	-
Net profit (loss)	7,278	33,374
Net profit (loss) attributed to normal shareholders, applied to calculate diluted earnings per share	7,278	33,374

	For the 3 months ended	
	31.03.2018	31 March 2017 adjusted
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23,930,769	23,901,084
Impact of dilution:		
Bonds convertible into shares	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share	23,930,769	23,901,084

In the period between the balance sheet date and the date of compiling these financial statements, no other transactions on ordinary shares or potential ordinary shares occurred.

### 19. Interest-bearing bank loans

Loans by currency (translated into PLN, in PLN '000)

Short-term	Nominal interest rate %	Due date	31.03.2018	31.12.2017
mBank S.A. – investment loan in the amount of EUR 2,400 thousand	1M EURIBOR	by 31 December 2018	1,696	2,307
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	1M EURIBOR	by 22 December 2018	3,002	3,744
ING Bank Śląski S.A. – investment loan, part A1 in the amount of EUR 1,265 thousand – short-term portion	3M EURIBOR	by 31 March 2020	1,775	1,759
ING Bank Śląski S.A. – investment loan, part B in the amount of EUR 4,250 thousand – short-term portion	3M EURIBOR	by 31 December 2021	3,975	3,940
ING Bank Śląski S.A. – investment loan A in the amount of PLN 130,000 thousand – short-term portion	1M WIBOR	by 16 December 2019	21,859	21,259
PKO BP S.A. and BGK – investment loan of EUR 140,000 thousand – short-term part	3M EURIBOR	by 17 October 2024	30,385	12,282

<b>Total short-term portion</b>	<b>62,692</b>	<b>45,291</b>
---------------------------------	---------------	---------------

<b>Long-term</b>	<b>Nominal interest rate %</b>	<b>Due date</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
PKO BP S.A.– working capital credit in the amount of PLN 100,000 thousand	1M WIBOR /1M EURIBOR – depending on the drawdown currency	by 9 June 2019	41,483	44,764
ING Bank Śląski S.A. – working capital loan in the amount of PLN 100,000 thousand	1M WIBOR /1M EURIBOR /1M LIBOR – depending on the drawdown currency	by 30 June 2019	66,938	54,717
mBank S.A. – working capital loan in the amount of EUR 5,000 thousand	depending on the currency used O/N WIBOR or O/N LIBOR	by 12 December 2019	8,573	15,834
ING Bank Śląski S.A. – investment loan, part A1 in the amount of EUR 1,265 thousand – long-term portion	3M EURIBOR	by 31 March 2020	1,775	2,198
ING Bank Śląski S.A. – investment loan, part B – in the amount of EUR 4,250 thousand – long-term portion	3M EURIBOR	by 31 December 2021	10,597	11,819
ING Bank Śląski S.A. – investment loan, part B1 in the amount of EUR 750 thousand – long-term portion	3M EURIBOR	by 31 December 2021	3,154	3,126
ING Bank Śląski S.A. – investment loan A in the amount of PLN 130,000 thousand – long-term portion	1M WIBOR	by 16 December 2019	95,414	100,514
PKO BP S.A. and BGK – investment loan of EUR 140,000 thousand long-term portion	3M EURIBOR	by 17 October 2024	349,424	294,777
<b>Total long-term portion</b>			<b>577,358</b>	<b>527,749</b>

<b>Collateral for bank loans</b>	<b>as at 31 March 2018</b>
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	<ol style="list-style-type: none"> <li>1. Registered pledge on purchased movable property with the value of EUR 5,130 thousand or more</li> <li>2. An assignment of rights from the insurance policy</li> <li>3. Blank promissory note with a blank promissory note declaration</li> </ol>
mBank S.A. – investment loan in the amount of EUR 2,400 thousand	<ol style="list-style-type: none"> <li>1. Registered pledge on purchased machinery and equipment up to the maximum secured amount of EUR 3,600 thousand</li> <li>2. Assignment of rights from the insurance policy</li> </ol>

<p>PKO BP S.A. – working capital loan in the amount of PLN 100,000 thousand</p>	<ol style="list-style-type: none"> <li>1. Contractual joint capped mortgage of up to PLN 120,000 thousand on the right of perpetual usufruct of developed properties and buildings located thereon, constituting an object of ownership separate from the land, located in Hajnówka at ul. 3-go Maja and in Ostrów Mazowiecka at ul. Biała</li> <li>2. Blank promissory note with a blank promissory note declaration</li> <li>3. Assignment of rights from the insurance policy</li> <li>4. Registered pledge on inventories of goods specified according to their type and located in the Hajnówka Branch</li> </ol>
<p>ING Bank Śląski S.A. – working capital loan in the amount of PLN 100,000 thousand</p>	<ol style="list-style-type: none"> <li>1. Registered pledge on movable property located in factories in Suwałki and Ostrów Mazowiecka up to the maximum secured amount of PLN 120,000 thousand.</li> <li>2. Contractual joint capped mortgage of up to PLN 54,000 thousand established on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights from the insurance contract</li> <li>3. Registered pledge on inventories located in factories in Suwałki and Ostrów Mazowiecka with the minimum value of PLN 65,000 thousand, up to the maximum secured amount of PLN 120,000 thousand.</li> <li>4. Assignment of rights from the insurance policy</li> </ol>
<p>mBank S.A. – working capital loan in the amount of EUR 5,000 thousand</p>	<ol style="list-style-type: none"> <li>1. Blank promissory note with a blank promissory note declaration</li> <li>2. Registered pledge on fixed assets up to the maximum secured amount of EUR 6,000 thousand</li> </ol>
<p>ING Bank Śląski S.A. – investment loan in the total amount of EUR 7,250 thousand</p>	<ol style="list-style-type: none"> <li>1. Joint mortgage of up to EUR 6,000 thousand on the ownership title to land, buildings and premises at ul. Biała 1 in Ostrów Mazowiecka</li> <li>2. Registered pledge on the equipment of a high-storage warehouse in Ostrów Mazowiecka</li> <li>3. An assignment of rights from the insurance policy</li> <li>4. Surety granted by the Parent Company.</li> </ol>
<p>ING Bank Śląski S.A. – investment loan A and B in the total amount of PLN 130,000 thousand</p>	<ol style="list-style-type: none"> <li>1. Joint mortgage of up to PLN 174,600 thousand established on the right of perpetual usufruct of land and ownership right of buildings and equipment constituting real properties located: in Wrocław at ul. Brücknera, ul. Robotnicza; in Przemyśl at ul. Bakończycka, on the cooperative ownership right to commercial premises located in Kraków at ul. Aleksandry.</li> <li>2. Joint mortgage of up to EUR 174,600 thousand on the ownership right to real property in Białystok, at ul. Gen. Andersa 11, Premises No 1 and Premises No 2.</li> <li>3. Registered pledge established on the protection right to the word and figurative trade mark "FORTE," up to the maximum secured amount of PLN 174,600 thousand</li> <li>4. Financial pledge on investment certificates up to the maximum secured amount of EUR 174,600 thousand</li> <li>5. Financial and registered pledge on shares in companies acquired by the company or companies constituting the Fund's assets, up to the maximum secured amount of PLN 174,600 thousand</li> <li>6. Assignment of claims under a licence agreement for the word and figurative trade mark containing the marking "FORTE", concluded between Forte Brand Sp. z o.o. and FABRYKI MEBLI "FORTE" S.A.;</li> <li>7. Assignment of claims under an insurance policy covering real properties on which mortgages were established;</li> <li>8. Blank promissory note with a blank promissory note declaration</li> </ol>
<p>PKO BP S.A. and BGK – investment loan of EUR 140,000 thousand</p>	<ol style="list-style-type: none"> <li>1. Surety granted by the Parent Company up to the amount of EUR 105,000 thousand for liabilities of TANNE Sp. z o.o. towards PKO BP S.A. under the loan agreement,</li> <li>2. Surety granted by the Parent Company up to the amount of EUR 105,000 thousand for liabilities of TANNE Sp. z o.o. towards BGK under the loan agreement,</li> <li>3. Surety granted by the Parent Company up to the amount of EUR 18,564 thousand for liabilities of TANNE Sp. z o.o. towards PKO BP S.A. under the Hedging Agreement,</li> <li>4. Surety granted by the Parent Company up to the amount of EUR 21,750 thousand for liabilities of TANNE Sp. z o.o. towards BGK under the Hedging Agreement,</li> <li>5. Guarantee agreement signed by the Parent Company,</li> <li>6. Agreement on subordination of the Parent Company's receivables from TANNE Sp. z o.o. to receivables of PKO BP and BGK resulting from the Loan Agreement and Hedging Agreements,</li> </ol>

7. Establishment by the Parent Company, as collateral for the Banks' receivables, of limited rights in rem in the form of financial pledges and registered pledges on shares in TANNE Sp. z o.o. held by the Parent Company,
8. Submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings from all assets of the Company, up to the amount of EUR 105,000 thousand, related to the surety for the Loan Agreement,
9. Submission by the Parent Company to BGK of a declaration of submission to enforcement proceedings from all assets of the Company, up to the amount of EUR 105,000 thousand, related to the surety for the Loan Agreement,
10. Submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings from all assets of the Company, up to the amount of EUR 18,564 thousand, related to the surety for the Hedging Agreement,
11. Submission by the Parent Company to BGK of a declaration of submission to enforcement proceedings from all assets of the Company, up to the amount of EUR 21,750 thousand, related to the surety for the Hedging Agreement,
12. Submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings from shares encumbered with a registered pledge established in favour of PKO BP as the pledge administrator (as collateral for receivables under the Loan Agreement), up to the amount of EUR 210,000 thousand,
13. Submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings from shares encumbered with a registered pledge established in favour of PKO BP as the pledge administrator (as collateral for receivables under the Hedging Agreements), up to the amount of EUR 40,314 thousand,
14. Establishment of a registered pledge on assets and rights forming part of the TANNE Sp. z o.o. enterprise in favour of PKO BP as the pledge administrator,
15. Conclusion of a management agreement over the TANNE Sp. z o.o. enterprise or an agreement on the lease of the enterprise in the event where PKO BP, as the pledge administrator, seeks to enforce the pledge, with entities indicated by PKO BP in the manner specified in the pledge agreement, as well as granting powers of attorney in accordance with the pledge agreement,
16. Establishment of limited rights in rem in the form of mortgages on ownership right held by TANNE Sp. z o.o. to property located in Suwałki, consisting of a plot of land No 32812/6,
17. Conclusion and performance of an agreement for the assignment of rights under agreements, under which TANNE Sp. z o.o. will assign to PKO BP, as the assignee and collateral agent, monetary rights and monetary claims to which TANNE is entitled (at present and in the future) under documents to which it is a party or beneficiary,
18. Establishment by TANNE Sp. z o.o. of limited rights in rem in the form of financial pledges and registered pledges on rights from bank accounts opened and maintained for the Company, as well as the granting of management and disposition powers in relation to accounts opened and maintained for the Company,
19. Conclusion and performance by TANNE Sp. z o.o. of an agreement on subordination of the creditors' receivables from the Company to receivables of the Banks resulting from the Loan Agreement and Hedging Agreements,
20. Conclusion and performance by TANNE Sp. z o.o. of direct agreements with PKO BP (acting on behalf of the Banks as a collateral agent) and the Company's counterparties,
21. Submission by TANNE Sp. z o.o. to PKO BP and BGK of a declaration of submission to enforcement proceedings as regards the Company's monetary liability towards PKO BP under the Loan Agreement, for the repayment of all receivables of PKO BP related to the loan up to the amount of EUR 105,000 thousand,
22. Submission by TANNE Sp. z o.o. to PKO BP of a declaration of submission to enforcement proceedings as regards the Company's monetary liability towards PKO BP under the Hedging Agreement, up to the amount of EUR 18,564 thousand,
23. Submission by TANNE Sp. z o.o. to BGK of a declaration of submission to enforcement proceedings as regards the Company's monetary liability towards BGK under the Hedging Agreement, up to the amount of EUR 21,750 thousand.

**Breakdown of loans due to currency type (translated into PLN, in PLN `000)**

Currency	As at	
	31.03.2018	31.12.2017
PLN	233,329	237,088
EUR	405,783	335,952
USD	938	-
	<b>640,050</b>	<b>573,040</b>

**20. Financial instruments**

During the reporting period, the Group complied with the new provisions of IFRS 9. A description of changes made to the statements in connection with the above is presented in note 6.

**21. Hedge accounting and other derivative financial instruments**

The Group applies the cash flow hedge accounting method to secure the planned sales revenue, as well as the interest rate hedge accounting method using hedging instruments.

The main objective of cash flow hedge accounting is to hedge the operating revenue against changes in the exchange rates between the date of origination of the currency exposure and hedging transaction, and the date of realisation of the exposure and hedged transaction.

The Group applies symmetrical zero-cost option strategies to hedge future foreign exchange transactions.

The main objective of the interest rate hedge accounting is to hedge the financial result against adverse changes in interest rates. The Group uses IRS (Interest Rate Swap) contracts to hedge against interest rate risk.

In the case of the cash flow hedge accounting, changes in the fair value of hedging instruments are recognised in the Group's equity and disclosed under the revaluation reserve from valuation of hedging instruments.

In the case of the interest rate hedge accounting, the Group examines the effectiveness of the hedging relationship. The applied methodology of the retrospective test allows to identify the values recognised in the Group's equity under the revaluation reserve from valuation of hedging instruments (in the effective part) and under financing activities in the profit and loss account (in the ineffective part).

**Fair value foreign exchange contracts**

**Cash flow hedge accounting**

As at 31 March 2018, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 43,830 thousand.

The table below presents a summary of fair values and settlement dates, as well as a summary of underlying amounts (volumes) for future payments and exercise prices of effective futures contracts. Settlement terms are consistent with the terms in which the amount charged to the revaluation reserve in respect of the transaction will be charged to the profit and loss account.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Exchange rate	Name of the Bank	Fair value
EUR	6,000	Put Option	08.2015	04-06.2018	4.2800	PKO BP S.A.	414
EUR	6,000	Call Option	08.2015	04-06.2018	4.6670	PKO BP S.A.	-
EUR	24,000	Put Option	10.2015	04-09.2018	4.3000	PKO BP S.A.	2,112
EUR	24,000	Call Option	10.2015	04-09.2018	4.6300	PKO BP S.A.	(49)
EUR	12,000	Put Option	11.2015	10-11.2018	4.3000	PKO BP S.A.	1,094



EUR	12,000	Call Option	11.2015	10-11.2018	4.7070	PKO BP S.A.	(71)
EUR	24,000	Put Option	04.2016	01-03.2019	4,3500-4,4000	PKO BP S.A.	3,390
EUR	24,000	Call Option	04.2016	01-03.2019	4,8500-4,9250	PKO BP S.A.	(205)
EUR	18,000	Put Option	08.2016	07-08.2019	4.4000	PKO BP S.A.	3,600
EUR	18,000	Call Option	08.2016	07-08.2019	4.8650	PKO BP S.A.	(519)
EUR	8,000	Put Option	10.2016	10.2019	4.4500	PKO BP S.A.	2,978
EUR	8,000	Call Option	10.2016	10.2019	4.8850	PKO BP S.A.	(439)
EUR	8,000	Put Option	11.2016	11.2019	4.5000	PKO BP S.A.	3,510
EUR	8,000	Call Option	11.2016	11.2019	5.1400	PKO BP S.A.	(276)
EUR	42,000	Put Option	07.2017	12.2019-05.2020	4.3500	PKO BP S.A.	5,031
EUR	42,000	Call Option	07.2017	12.2019-05.2020	4.7300	PKO BP S.A.	(2,387)
<b>Total</b>						<b>PKO BP S.A.</b>	<b>18,183</b>
EUR	6,000	Put Option	08.2015	04-06.2018	4.2800	mBank S.A.	417
EUR	6,000	Call Option	08.2015	04-06.2018	4.6400	mBank S.A.	-
EUR	13,500	Put Option	12.2015	04-11.2018	4.3500	mBank S.A.	1,754
EUR	13,500	Call Option	12.2015	04-11.2018	4.6700	mBank S.A.	(39)
EUR	5,000	Put Option	05.2016	01-04.2019	4.4500	mBank S.A.	1,017
EUR	5,000	Call Option	05.2016	01-04.2019	4.9250	mBank S.A.	(37)
EUR	7,000	Put Option	10.2016	09.2019	4.4000	mBank S.A.	2,224
EUR	7,000	Call Option	10.2016	09.2019	4.9075	mBank S.A.	(314)
EUR	37,000	Put Option	08.2017	01-06.2020	4.4000	mBank S.A.	5,434
EUR	37,000	Call Option	08.2017	01-06.2020	4.7110	mBank S.A.	(2,424)
EUR	32,000	Put Option	09.2017	06-09.2020	4.4500	mBank S.A.	6,488
EUR	32,000	Call Option	09.2017	06-09.2020	4.8165	mBank S.A.	(2,665)
<b>Total</b>						<b>mBank S.A.</b>	<b>11,855</b>
EUR	26,000	Put Option	01.2016	04-12.2018	4.4500	ING Bank Śląski S.A.	5,594
EUR	26,000	Call Option	01.2016	04-12.2018	4.7800	ING Bank Śląski S.A.	(78)
EUR	15,000	Put Option	04.2016	01-03.2019	4.4000	ING Bank Śląski S.A.	2,464
EUR	15,000	Call Option	04.2016	01-03.2019	4.8950	ING Bank Śląski S.A.	(108)
EUR	10,000	Put Option	05.2016	04.2019	4.4500	ING Bank Śląski S.A.	1,998
EUR	10,000	Call Option	05.2016	04.2019	4.9600	ING Bank Śląski S.A.	(95)
EUR	22,000	Put Option	06.2016	05-06.2019	4.4500	ING Bank Śląski S.A.	4,315
EUR	22,000	Call Option	06.2016	05-06.2019	4.9300	ING Bank Śląski S.A.	(298)

<b>Total</b>	<b>ING Bank Śląski S.A.</b>	<b>13,792</b>
--------------	---------------------------------	---------------

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

#### Interest rate hedge accounting

As at 31 March 2018, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN (1,491) thousand. The amount of PLN (1,491) thousand was recognised in the revaluation reserve and in liabilities in respect of derivative financial instruments as the effective value, whereas the amount of PLN 43 thousand was recognised in the profit and loss account under gain on derivative financial instruments and in receivables from derivative financial instruments as the ineffective part.

Key terms of the IRS transaction concluded between the subsidiary, TANNE Sp. z o.o., and PKO BP S.A.:

- transaction date: 31 January 2017,
- nominal amount and transaction currency: EUR 49,000 thousand (35% of the nominal loan amount),
- reference rate: EURIBOR 3M,
- start of the first interest period: 20 September 2018,
- first exchange of interest payments: 20 December 2018,
- end date of the IRS transaction: 14 October 2024,
- amortisation and interest periods: in accordance with the agreed schedule,
- interest base for both legs of the swap (fixed and floating interest payments) – Act/360.

## 22. Transactions with related entities

#### Commercial transactions

The following table presents the total amounts of transactions concluded with related parties not included in the consolidation, for the period of 3 months ended 31 March 2018 and 31 March 2017 and for the year ended 31 December 2017, respectively.

Related party		Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
Subsidiaries:					
Forte Baldai UAB	31.03.2018	-	44	-	15
	31.12.2017	-	178	-	15
	31.03.2017	-	45	-	15
Forte SK S.r.o.	31.03.2018	2	275	-	92
	31.12.2017	-	1,121	-	92
	31.03.2017	-	283	-	93
Forte Furniture Ltd.	31.03.2018	-	92	-	94
	31.12.2017	-	757	-	61
	31.03.2017	-	197	-	-
Forte Iberia S.l.u.	31.03.2018	3	438	-	147
	31.12.2017	-	1,581	-	129
	31.03.2017	-	400	-	131
Forte Mobilier S.a.r.l.	31.03.2018	-	-	-	-
	31.12.2017	-	-	-	-
	31.03.2017	-	-	-	-

TM Handel Sp. z o.o.	31.03.2018	363	154	4	195
	31.12.2017	11	359	98	37
	31.03.2017	(54)	90	-	177
ANTWERP FP SP. z o.o.	31.03.2018	1,333	34	1,512	-
	31.12.2017	1,141	17	1,382	21
	31.03.2017	-	-	-	-
Forte Furniture Products India PVT. Ltd.	31.03.2018	1,100	-	2,300	-
	31.12.2017	1,194	-	1,176	-
	31.03.2017	-	-	-	-
<b>Total</b>	<b>31.03.2018</b>	<b>2,801</b>	<b>1,037</b>	<b>3,816</b>	<b>543</b>
	<b>31.12.2017</b>	<b>2,346</b>	<b>4,013</b>	<b>2,656</b>	<b>355</b>
	<b>31.03.2017</b>	<b>(54)</b>	<b>1,015</b>	<b>-</b>	<b>416</b>

Transactions with related entities regard the sale of products, goods and services and the purchase of services.

#### Loans and borrowings to related parties

The following table presents the balance of borrowings granted as at 31 March 2018:

Related party	Loan amount	Loan currency	Due date	Borrowing balance as at 30 March 2018	Amount of interest due as at 30 March 2018
<b>Subsidiaries:</b>					
FORTE MOBILIER S.a.r.l.	30	EUR	December 2019	126	-
FORTE FURNITURE PRODUCTS INDIA Ltd	1,642	EUR	March 2025	6,912	61
<b>Total:</b>				<b>7,038</b>	<b>61</b>
<b>Of which:</b>					
<b>Short-term portion:</b>					
FORTE MOBILIER S.a.r.l.				79	-
<b>Total:</b>				<b>79</b>	<b>-</b>
<b>Long-term portion:</b>					
FORTE MOBILIER S.a.r.l.				47	-
FORTE FURNITURE PRODUCTS INDIA Ltd				6,912	61
<b>Total:</b>				<b>6,959</b>	<b>61</b>

These loans were granted on market terms (variable interest rate based on WIBOR/EURIBOR plus a margin).

The balance of loans granted as at 31 December 2017 is presented in the table below:

Related party	Loan amount	Loan currency	Due date	Borrowing balance as at 31 December 2017	Amount of interest due as at 31 December 2017
<b>Subsidiaries:</b>					
FORTE MOBILIER S.a.r.l.	40	EUR	December 2019	125	-
FORTE FURNITURE PRODUCTS INDIA Ltd	1,642	EUR	March 2025	6,850	7
<b>Total:</b>				<b>6,975</b>	<b>7</b>
<b>Of which:</b>					

<b>Short-term portion:</b>		
FORTE MOBILIER S.a.r.l.	62	-
<b>Total:</b>	<b>62</b>	<b>-</b>
<b>Long-term portion:</b>		
FORTE MOBILIER S.a.r.l.	63	-
FORTE FURNITURE PRODUCTS INDIA Ltd	6,850	7
<b>Total:</b>	<b>6,913</b>	<b>7</b>

#### Joint venture in which the Parent Company is a venturer

The Group's Parent Company does not conduct joint ventures.

#### Terms and conditions of transactions with related parties

All transactions with related entities are conducted under terms used by the Group in relations with unrelated entities.

#### Information on entities related personally

MaForm SARL Luxembourg holds 32.44% share in the share capital of Fabryki Mebli "FORTE" S.A. (Parent Company).  
 MaForm Holding Luxembourg SARL holds 100% share in the share capital of MaForm SARL Luxembourg.  
 MaForm Holding AG holds 90.34% share in the share capital of MaForm Holding Luxembourg SARL. The remaining 9.66% of shares in the share capital of MaForm Holding Luxembourg SARL is held by Ms Maria Florczuk – Member of the Management Board of Fabryki Mebli "FORTE" S.A.  
 Mr Maciej Formanowicz – President of the Management Board of Fabryki Mebli "FORTE" S.A. and his wife hold 100% share in MaForm Holding AG.

#### 23. Transactions involving the Management Board, key managerial staff and members of their immediate families.

#### Incentive scheme for Members of the Parent Company's Management Board and issue of series D, E and F subscription warrants with the exclusion of the pre-emptive rights to series D, E and F subscription warrants

On 10 June 2014, the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. approved the introduction of an incentive scheme for Members of the Parent Company's Management Board (the "Incentive Scheme").  
 The purpose of the Incentive Scheme is to strive for the development of the Capital Group and its subsidiaries ("Capital Group") by creating incentive mechanisms for individuals responsible for management, which would relate to financial results of the Capital Group and the increase in value of the Parent Company's shares.  
 The issue price of series H shares was set by resolution of the Supervisory Board of 27 October 2014 at PLN 46.19. Each Warrant entitles to a subscription for one series H share at issue price.  
 Rights from Warrants may be exercised no sooner than after a year from the formal decision regarding their subscription and no later than 30 November 2018.

The number and weighted average prices of warrants execution are as follows:

	Series	Number of warrants	Average weighted price of execution
<b>As at 1 January 2018, including:</b>			
	D	89,055	46.19
	F	118,740	46.19
<b>Change in the reporting period</b>			
Executed in 2018			
		-	
<b>As at 31 March 2018, including:</b>			
Possible for execution as of 31 March 2018			
	D	89,055	46.19
	F	118,740	46.19

#### Participation of senior executives in the employee programmes and schemes

None occurred during the reporting period.

#### 24. Significant events post reporting period.

On 12 April 2018, the Parent Company signed a letter of intent with the HOMAG Group concerning the design, execution and delivery of manufacturing lines for the new, fifth furniture plant in Suwalki. The parties to the letter of intent assume that the value of the future agreement will amount to around EUR 60 million, and its implementation will be divided into three stages. The first stage, assuming the efficiency of 50,000 packages weekly, should be completed by approx. Q3 2019. The last stage of the future agreement is the assumed start of production in approx. mid-2021. Following the completion of the investment and the final performance tests, it is planned to achieve the new plant's performance at 106,000 packages weekly. In accordance with the provisions of the letter of intent, determination of the remaining relevant terms and conditions of the future agreement and its conclusion should take place by 31 May 2018. In the opinion of the Parent Company's Management Board, the signing of the letter of intent and the conclusion of the future agreement on delivery of production lines to the new furniture plant will significantly improve the production capacity of the Company in the future and will facilitate its strategic objectives.

The Parent Company entered into the following zero-cost transactions regarding the sale of Call options and purchase of Put options hedging from currency risk:

- on 26 April 2018 with mBank S.A.

1. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-10-14
2. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-10-28
3. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-11-12
4. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-11-25
5. EUR 2,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-12-14
6. EUR 2,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2020-12-28
7. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-01-14
8. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-01-27
9. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-02-12
10. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-02-24
11. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-03-12
12. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-03-29
13. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-04-12
14. EUR 3,500,000 – Put 4.3500 – Call 4.6710 with the expiration date 2021-04-21

– on 9 May 2018 with PKO Bank Polski S.A.

1. EUR 2,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-09-16
2. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-10-14
3. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-10-28
4. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-11-12
5. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-11-25
6. EUR 2,500,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-12-14
7. EUR 2,500,000 – Put 4.4000 – Call 4.7580 with the expiration date 2020-12-28
8. EUR 3,500,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-01-14
9. EUR 3,500,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-01-27
10. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-02-12
11. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-02-24
12. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-03-12
13. EUR 4,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-03-29
14. EUR 3,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-04-12
15. EUR 3,000,000 – Put 4.4000 – Call 4.7580 with the expiration date 2021-04-21

The total nominal amount of the transactions amounts to EUR 198,000 thousand (EUR 99,000 thousand for each option type), which is equivalent to the amount of PLN 842,170 thousand.

#### 25. Off-balance sheet items

- On 28 June 2016, the Parent Company granted a surety and undertook to discharge all monetary liabilities of the subsidiary DYSTRI-FORTE Sp. z o.o. arising from the loan agreement of 14 December 2015 concluded between

DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Parent Company agreed to discharge all of the Borrower's liabilities, including in particular the complete repayment of the principal amount of the loan, interest, commissions, fees and other charges up to EUR 8,700 thousand until 29 October 2024. As at 30 March 2018, the balance of the loan amounts to PLN 21,276 thousand.

- In the reporting period ended 31 March 2018, the Parent Company granted the following collateral for capital commitments of a subsidiary, TANNE Sp. z o.o.:
  - in favour of SIEMPELKAMP Maschinen- und Anlagenbau GmbH for commitments under an agreement for the design, supply, installation and commissioning of a part of the particle board production line. The total net value of the agreement amounts to EUR 23,650 thousand. Completion of the investment project is scheduled for July 2018. As at the end of the reporting period, the balance of commitments amounts to EUR 1 454 thousand.
  - in favour of Büttner Energie- und Trocknungstechnik GmbH for commitments under an agreement for the design, supply, installation and commissioning of a part of the particle board production line. The total net value of the agreement amounts to EUR 15,000 thousand. Completion of the investment project is scheduled for March 2018. As at the end of the reporting period, the balance of commitments amounts to EUR 923 thousand.
  - in favour of PAL SRL for commitments under an agreement for the design, supply, installation and commissioning of a part of the particle board production line. The total net value of the investment project amounts to EUR 22,947 thousand. Completion of the investment project is scheduled for May 2018. As at the end of the reporting period, the balance of commitments amounts to EUR 1,721 thousand.
  - in favour of EWK Umwelttechnik GmbH for commitments under an agreement for the end-to-end implementation of an investment project consisting in the design and installation of an air purification system. The total net value of the agreement amounts to EUR 4,700 thousand. The commitment expires on 31 December 2019. As at the end of the reporting period, the balance of commitments amounts to EUR 1,410 thousand.
- In the reporting period ended 31 March 2018, the collateral for loan liabilities of the subsidiary TANNE Sp. z o.o. was as follows:
  - surety granted by the Parent Company up to the amount of EUR 105,000 thousand for TANNE's liabilities towards PKO BP under the Loan Agreement,
  - surety granted by the Parent Company up to the amount of EUR 105,000 thousand for TANNE's liabilities towards BGK under the Loan Agreement,
  - surety granted by the Parent Company up to the amount of EUR 18,564 thousand for TANNE's liabilities towards PKO BP under the Hedging Agreement,
  - surety granted by the Parent Company up to the amount of EUR 21,750 thousand for TANNE's liabilities towards BGK under the Hedging Agreement,
  - Guarantee agreement signed by the Parent Company,
  - Agreement on subordination of the Parent Company's receivables from TANNE to receivables of PKO BP and BGK resulting from the Loan Agreement and Hedging Agreements,
  - establishment by the Parent Company, as collateral for the Banks' receivables, of limited rights in rem in the form of financial pledges and registered pledges on shares in TANNE held by the Parent Company,
  - submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, from all assets of the Parent Company, up to the amount of EUR 105,000 thousand, related to the surety for the Loan Agreement,
  - submission by the Parent Company to BGK of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, from all assets of the Parent Company, up to the amount of EUR 105,000 thousand, related to the surety for the Loan Agreement,
  - submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, from all assets of the Parent Company, up to the amount of EUR 18,564 thousand, related to the surety for the Hedging Agreement,
  - submission by the Parent Company to BGK of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, from all assets of the Parent Company, up to the amount of EUR 21,750 thousand, related to the surety for the Hedging Agreement,
  - submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(6) of the Code of Civil Procedure, from shares encumbered with a registered pledge established in favour of PKO BP as the pledge administrator (as collateral for receivables under the Loan Agreement), up to the amount of EUR 210,000 thousand,

- submission by the Parent Company to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(6) of the Code of Civil Procedure, from shares encumbered with a registered pledge established in favour of PKO BP as the pledge administrator (as collateral for receivables under the Hedging Agreements), up to the amount of EUR 40,314 thousand,
- establishment of a registered pledge on assets and rights forming part of the TANNE enterprise in favour of PKO BP as the pledge administrator,
- conclusion of a management agreement over the TANNE enterprise or an agreement on the lease of the TANNE enterprise in the event where PKO BP, as the pledge administrator, seeks to enforce the pledge, with entities indicated by PKO BP in the manner specified in the pledge agreement, as well as granting powers of attorney in accordance with the pledge agreement,
- establishment of limited rights in rem in the form of mortgages on TANNE's ownership right to property located in Suwałki, consisting of a plot of land Nos 32812/6, 32812/5, 32810/1, 32813, 32812/7
- conclusion and performance of an agreement for the assignment of rights under agreements, under which TANNE will assign to PKO BP, as the assignee and collateral agent, monetary rights and monetary claims to which TANNE is entitled (at present and in the future) under documents to which it is a party or beneficiary,
- establishment by TANNE of limited rights in rem in the form of financial pledges and registered pledges on rights from bank accounts opened and maintained for TANNE, as well as the granting of management and disposition powers in relation to accounts opened and maintained for TANNE,
- conclusion and performance by TANNE of an agreement on subordination of the creditors' receivables from TANNE to receivables of the Banks resulting from the Loan Agreement and Hedging Agreements,
- conclusion and performance by TANNE of direct agreements with PKO BP (acting on behalf of the Banks as a collateral agent) and TANNE's counterparties,
- submission by TANNE to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, as regards TANNE's monetary liability towards PKO BP under the Loan Agreement, for the repayment of all receivables of PKO BP related to the loan up to the amount of EUR 105,000 thousand,
- submission by TANNE to BGK of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, as regards TANNE's monetary liability towards BGK under the Loan Agreement, for the repayment of all receivables of BGK related to the loan up to the amount of EUR 105,000 thousand,
- submission by TANNE to PKO BP of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, as regards TANNE's monetary liability towards PKO BP under the Hedging Agreement, up to the amount of EUR 18,564 thousand,
- submission by TANNE to BGK of a declaration of submission to enforcement proceedings pursuant to Article 777 § 1(5) of the Code of Civil Procedure, as regards TANNE's monetary liability towards BGK under the Hedging Agreement, up to the amount of EUR 21,750 thousand.

The hypothetical cost to be incurred by the Group in connection with granted sureties is equal to the balances of unpaid loans together with interest and commissions and the outstanding capital commitments. Since both DYSTRI-FORTE Sp. z o.o. and Tanne Sp. z o.o. operate exclusively for the Parent Company which ensures stability of their cash flows, the Group sees the materialisation of the risk of non-payment of conditional liabilities as unlikely.

## 26. Directors' report on the activities of the Issuer's Capital Group.

Group performance and basic economic and financial parameters:

Description	3 months ended 31 March 2018 in PLN '000	3 months ended 31 March 2017 (in PLN '000) adjusted	Change in %
Sales revenue	295,513	293,659	0.6%
Cost of sales	(201,324)	(178,751)	12.6%
Gross profit on sales	94,189	114,908	(18.0%)
<i>Gross margin %</i>	31.9%	39.1%	
Costs of sales	(62,542)	(59,618)	4.9%

General administrative costs	(14,493)	(13,388)	8.3%
Operating profit (EBIT)	15,903	40,366	(60.6%)
EBITDA	23,370	46,495	(49.7%)
<i>EBITDA margin</i>	7.9%	15.8%	
Net profit	7,278	33,374	(78.2%)
<i>Net return on sales %</i>	2.5%	11.36%	
<i>Return on equity (ROE)</i>	1.1%	5.4%	
<i>Return on assets (ROA)</i>	0.5%	2.8%	

• **The sales revenue** of the Group in Q1 2018 amounted to PLN 295,513 thousand, as compared to PLN 293,659 thousand in the corresponding period of 2017 (an increase by 0.6%).

Export sales of the FORTE Group amounted to PLN 259,259 thousand – 88% of total sales (in Q1 2017 – PLN 257,396 thousand – 88%). Leaders on export markets are German speaking markets (Germany, Austria, Switzerland), France and Spain.

Sale on the Polish market amounted to PLN 36,254 thousand (12%) against PLN 36,263 thousand (12%) in the corresponding period in 2017 and concentrated on two main distribution channels: traditional furniture stores and commercial networks.

• **Gross profitability of sale** was at a significantly lower level than in the corresponding period and amounted to 31.9% against 39.1% in Q1 2017.

• **Costs of sale** amounted to PLN 62,542 thousand. Sales costs to sales revenues ratio was 21.2% and was at a slightly higher level than in the corresponding period of the last year – 20.3%.

• **General costs** The burden of income with general costs amounted to 4.9% as compared to 4.6% in Q1 2017. The increase in this cost category results mainly from an increase in the expenditure on programs related to the Group's continued policy aimed at staff development.

• **Operating profit** amounted to PLN 15,903 thousand (5.4% of revenue), compared to PLN 40,366 thousand (PLN 13.7% of revenue) in the corresponding period of 2017.

• **The net profit** in the reporting period amounted to PLN 7,278 thousand (2.5% of revenue), as compared to PLN 33,374 thousand in Q1 of the previous year (11.4% of revenue).

In Q1 2018, the negative effects of the Group resulted from the cumulative effects of:

- the high price of particle board;
- limited availability of particle board which necessitated the use of a more expensive laminated board;
- as a consequence of the foregoing: not using the Company's full capacities of board coating;
- still limited capability to handle an increasing number of orders.

In the opinion of the Management Board, thanks to the opening of its own manufacturing plant, the financial results for Q2 2018 should show a positive impact of the use of own, cheaper board.

In addition, with the changes and projects which have been implemented since the beginning of 2018, the Group has additional production capacities which should have positive financial effects starting from Q3 of 2018 and considerably increase its sales in 2018/2019.

Given the natural lower inflow of orders for furniture in Q2 of each year, in Q2 of 2018 the Group will be capable of completing the full portfolio of orders (both outstanding and current), and safely build an inventory of furniture for dispatch in the high season starting in mid-Q3.

Characteristics of the balance sheet structure	31.03.2018		31.12.2017		Change in % 2018/2017
	in PLN '000	% of the balance sheet total	in PLN '000	% of the balance sheet total	
Non-current assets	1,076,965	71%	1,044,191	70%	3.1%
Current assets	436,770	29%	437,845	30%	(0.2%)
<b>Total assets</b>	<b>1,513,735</b>	<b>100%</b>	<b>1,482,036</b>	<b>100%</b>	<b>2.1%</b>



Total equity	636,934	42%	635,961	43%	0.2%
Long-term liabilities and provisions	634,466	42%	562,881	38%	12.7%
Short-term liabilities and provisions	242,335	16%	283,194	19%	(14.4%)
<b>Total liabilities</b>	<b>1,513,735</b>	<b>100%</b>	<b>1,482,036</b>	<b>100%</b>	<b>2.1%</b>

**Fixed assets** increased by PLN 32,774 thousand, which is mainly a result of an increase in tangible fixed assets by PLN 40,559 thousand, and a decrease in the valuation of the long-term part of derivative instruments in the amount of PLN 6,881 thousand.

The most significant increase in tangible fixed assets refers to expenditure incurred on the construction of the particle board factory with equipment.

In **current assets**, there was mainly an increase in trade and other receivables – the amount of PLN 7,782 thousand, and in income tax – the amount of PLN 2,887 thousand. The balance of cash decreased by PLN 11,667 thousand.

On the side of **liabilities**, the most significant change is related to an increase in the balance of long-term liabilities due to bank loans (PLN 67,010 thousand), in connection with the further use of the investment loan taken by TANNE for the construction and equipment of the board factory, as well as the deferred income (PLN 23,902 thousand) due to the next subsidy instalment received by TANNE.

Trade and other liabilities decreased by PLN 58,520 thousand, mainly due to the repayment of investment liabilities by TANNE – due to the completion of a significant part of the investment.

#### 26.1. Factors and events visibly affecting financial results

Outside the factors listed in item 26 there were no other unusual or particularly significant factors and events that could impact the Group's financial results.

#### 26.2. Issue, redemption and repurchase of securities.

None.

#### 26.3. Management Board's position regarding the viability of meeting previously published forecasts for a particular year.

The Issuer did not publish financial result forecasts for 2018.

#### 26.4. Information on shareholders having, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting as of the date of submission of the quarterly report.

Item	Shareholder	Number of votes	% share of votes in the number of votes at the GM	% share in the overall number of votes
1.	MAFORM S.A.R.L.	7,763,889	32.44%	32.44%
2.	AVIVA OTWARTY FUNDUSZ EMERYTALNY AVIVA BZ WBK	2,300,000	9.61%	9.61%
3.	SKARBIEC Towarzystwo Funduszy Inwestycyjnych SA*	2,149,448	8.98%	8.98%
4.	Franklin Resources Inc.**	1,267,743	5.30%	5.30%
5.	ING Otwarty Fundusz Emerytalny	1,200,000	5.01%	5.01%

\* including Bentham Sp. z o.o. 2,050,000 shares, 8.58% shares in share capital and general number of votes

\*\* customers and funds managed by Franklin Templeton Investment Management Limited and Templeton Asset Management Ltd.

**26.5. The most important awards and distinctions, as well as events in which the Issuer participated in Q1 2018**

<b>Q1 2018</b>	<ul style="list-style-type: none"> <li> <p>• <b>11-14 January 2018 – Begross Messe – Cologne (Germany)</b> At the fairs, FORTE presented e.g. new programmes in the functions of dining room and living room, bedroom furniture and hall furniture. The fairs are closed and can be attended only by exhibitors invited by Begros – one of the largest furniture networks in Western Europe.</p> </li> <li> <p>• <b>24-27 January 2018 – Feria del Mueble Zaragoza – Zaragoza (Spain)</b> Feria del Mueble Zaragoza are among the major furniture fairs in Spain. On the area of almost 350 m<sup>2</sup>, FORTE presented over 10 new programmes, including 3 bedrooms. The customers especially liked the new Universe bedroom programme due to the style of the upholstered headboard.</p> </li> <li> <p>• <b>15 February 2018</b> – during the official Gala of the "Meble Plus monthly magazine – "Product of the Year," FORTE won in two categories: <b>BEDROOM</b> – for the STARLET WHITE bedroom furniture collection, <b>"2017 COMPANY OF THE YEAR"</b> – for the dynamic development, important investments, good financial results and successes both on the domestic market and abroad, for taking care to meet the expectations of a wide group of customers, and for availability of products in each region of the country.</p> </li> <li> <p>• <b>6-9 March 2018 – Meble Polska – Poznań (Poland)</b> The <i>Meble Polska</i> fairs are the biggest furniture trade event in Poland and recognised in Europe. In its stand area of approx. 600 m<sup>2</sup>, Forte presented numerous new collections laminated in foil deceptively similar to natural wood. Vintage-style furniture and a white styled youth room, with louvre-effect fronts, were a novelty.</p> </li> <li> <p>• <b>12-15 March 2018 – BUT network fairs – Paris (France)</b> Forte presented its stand at those fairs third year in a row. It was very popular with the visitors. During four days, FORTE exhibition was visited by 52 groups of BUT representatives (700 people in total), which should translate to a stronger position of the FORTE brand on the French market.</p> </li> <li> <p>• <b>26-30 March 2018 – International Fairs INDEX 2018</b> – Dubai (United Arab Emirates) At the fairs, FORTE presented furniture collections which proved to be of great interest to potential customers. One of the objectives of participation in the fairs was to present the new production plant in India, in which the Company holds shares.</p> </li> </ul>
--------------------	---

**26.6. Listings of Fabryki Mebli "FORTE" S.A.**

Shares of Fabryki Mebli "FORTE" S.A. are listed on the Warsaw Stock Exchange in Warsaw in the continuous trading system.

Key data on FORTE shares:

Key data	Q1 2018	Q1 2017
Net profit of the Parent Company in PLN '000	550	22,869
The highest share price in PLN	57.70	86.00
The lowest share price in PLN	40.40	72.60
Share price at the end of the period in PLN	53.50	82.05
Number of shares on the stock exchange (in items)	23,930,769	23,901,084
Average daily trading volume (in items)	34,971	9,922

**26.7. Summary of the number of the Issuer's shares or rights to shares held by the members of the Issuer's management and supervisory authorities as at the date of submission of the quarterly report.**

<b>Managers and supervisors of the Issuer</b>		<b>Number of shares with the nominal value of PLN 1 each</b>
Mariusz Gazda	Member of the Management Board	4,700
Klaus Dieter Dahlem	Member of the Management Board	34,170
Zbigniew Sebastian	Chairman of the Supervisory Board	300

**26.8. Information on relevant pending proceedings before court, arbitration panel or public administration body.**

The Issuer is not a party to any pending proceedings before court, arbitration panel or public administration body concerning the Issuer's or its subsidiary's liabilities or receivables.

**26.9. Information on conclusion by the Issuer or its subsidiary of one or more transactions with related entities.**

All transactions with related parties are conducted under the terms used by the Issuer in relations with unrelated entities.

Detailed information about transactions with capital-related entities are included in note 22.

**26.10. Information on granting by the Issuer or Issuer's subsidiary a loan or borrowing surety or a guarantee – in total to one entity or its subsidiary – if the total value of the existing sureties or guarantees is significant.**

A detailed description of sureties and guarantees granted is included in item 25 of these statements.

**26.11. Other information considered by the Issuer as important in the assessment of the Issuer's personnel, asset and financial standing, financial result and changes to such items; information relevant to the assessment of the Issuer's ability to fulfil obligations**

None.

**26.12. Information on factors which, in the Issuer's opinion, will affect performance of the Issuer and its Capital Group during at least the following quarter.**

The most important factors which, in the opinion of the Management Board, may affect the Group's performance in subsequent months of the year include:

- launching, in April 2018, of own factory of particle board, which will contribute to a reduction of the manufacturing cost, and consequently, to an increase in the profitability of sales;
- increase in production capacity at current factories through ongoing reorganisation processes inside the company,
- EUR/PLN exchange rate volatility,
- volatility of prices of basic raw materials.

**26.13. Events that occurred after the date of preparation of the financial statements that were not included in these statements, but which may have a significant impact on the future financial results of the Issuer.**

None.

---

## 27. Currency exchange rates

Individual items of assets and liabilities were converted at the average FX rate of the National Bank of Poland as at 31 March 2018, 31 December 2017 and 31 March 2017, amounting to: 4.2085; 4.1709 and 4.2198 against 1 EUR.

Individual items of the profit and loss account and the cash flow statement were converted at the average rate being an arithmetic mean of the rates of the National Bank of Poland as at the last day of each month in the period of 3 months ended 31 March 2018 and 31 March 2017, and amounting to: PLN 4.1784 and PLN 4.2891 against 1 EUR, respectively.

**Signature of the person entrusted with bookkeeping:**

**Chief Accountant  
Anna Wilczyńska**

.....

**Signatures of the Members of the Management Board:**

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Klaus Dieter Dahlem**

.....

**Member of the Management Board  
Maria Florczuk**

.....

**Member of the Management Board  
Andreas Disch**

.....

**Member of the Management Board  
Mariusz Gazda**

.....

Ostrów Mazowiecka, 24 May 2018



# FABRYKI MEBLI „FORTE” S.A.

Separate financial statements for the period ended  
on 31 March 2018

Statements prepared in accordance with  
the International Financial Reporting Standards

## PROFIT AND LOSS ACCOUNT

	For the reporting period ended		
	31 March 2018	31 March 2017	31 March 2017 adjusted
<b>Continued operations</b>			
Revenue from sales of goods, products and materials	302,458	292,879	292,879
Revenue from sales of services	2,371	1,015	1,015
<b>Sales revenue</b>	<b>304,829</b>	<b>293,894</b>	<b>293,894</b>
Cost of sales of sold goods, products and materials	(219,291)	(178,180)	(178,180)
Cost of sales of sold services	(994)	(532)	(532)
<b>Cost of sales</b>	<b>(220,285)</b>	<b>(178,712)</b>	<b>(178,712)</b>
<b>Gross profit (loss) on sales</b>	<b>84,544</b>	<b>115,182</b>	<b>115,182</b>
Other operating revenue	141	306	306
Costs of sales	(70,607)	(69,244)	(69,244)
General administrative costs	(11,692)	(12,591)	(12,591)
Other operating costs	(1,367)	(1,900)	(1,900)
<b>Profit (loss) on operating activities</b>	<b>1,019</b>	<b>31,753</b>	<b>31,753</b>
Financial revenue	1,947	190	190
Financial costs	(755)	(3,480)	(3,480)
<b>Profit (loss) on derivative financial instruments</b>	<b>-</b>	<b>-</b>	<b>2,558</b>
<b>Profit (loss) before tax</b>	<b>2,211</b>	<b>28,463</b>	<b>31,021</b>
Income tax	(1,661)	(5,594)	(6,080)
<b>Profit (loss) on continued operations of the period</b>	<b>550</b>	<b>22,869</b>	<b>28,692</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit (loss) on discontinued operations of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit (loss) of the period</b>	<b>550</b>	<b>22,869</b>	<b>24,941</b>
<b>Profit (loss) per share in the period (in PLN):</b>			
- basic	0.02	0.96	1.04
- diluted	0.02	0.96	1.04

**STATEMENT OF COMPREHENSIVE INCOME**

	For the reporting period ended		
	31 March 2018	31 March 2017	31 March 2017 adjusted
<b>Profit (loss) of the period</b>	<b>550</b>	<b>22,869</b>	<b>24,941</b>
<b>Other net comprehensive income, including:</b>	<b>(6,329)</b>	<b>40,754</b>	<b>36,969</b>
<b>Items which in the future will not be reclassified to the profit and loss account</b>	<b>6,198</b>	-	-
Hedge accounting (IFRS 9 adjustment)	6,198	-	-
<b>Items which in the future may be reclassified to the profit and loss account</b>	<b>(12,527)</b>	<b>40,754</b>	<b>36,969</b>
Hedge accounting	(15,465)	50,314	45,641
Income tax on other comprehensive income	2,938	(9,560)	(8,672)
<b>Total comprehensive income for the period</b>	<b>(5,779)</b>	<b>63,623</b>	<b>61,910</b>



**STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)**

	31 March 2018	31 December 2017	As at 31 March 2017	31 March 2017 adjusted
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>501,149</b>	<b>518,281</b>	<b>502,496</b>	<b>494,235</b>
Tangible fixed assets	242,872	245,444	242,610	242,610
Intangible assets	1,379	1,330	1,036	1,036
Investments in subsidiaries and jointly controlled entities	162,974	162,974	162,974	162,974
Borrowings granted	76,537	74,988	65,789	65,789
Other long-term receivables	109	112	123	123
Receivables due to derivative financial instruments	17,278	33,433	29,964	21,703
<b>Current assets</b>	<b>405,810</b>	<b>382,736</b>	<b>351,838</b>	<b>350,841</b>
Inventory	141,843	145,932	139,577	139,577
Trade and other receivables	183,305	164,133	182,451	182,451
Receivables due to derivative financial instruments	26,551	18,210	8,834	7,837
Receivables relating to corporate income tax	9,286	6,398	-	-
Provisions, deferred revenues and accruals	3,300	3,028	2,723	2,723
Borrowings granted	13,578	12,351	3,960	3,960
Cash and cash equivalents	27,947	32,684	14,293	14,293
<b>TOTAL ASSETS</b>	<b>906,959</b>	<b>901,017</b>	<b>854,334</b>	<b>845,076</b>
<b>LIABILITIES</b>				
<b>Total equity</b>	<b>595,538</b>	<b>601,317</b>	<b>562,314</b>	<b>554,815</b>
Basic equity	23,931	23,931	23,901	23,901
Surplus of share sale above their nominal value	114,556	114,556	113,214	113,214
Revaluation reserve from hedging instruments	35,502	48,029	31,426	27,678
Capital from merger	(1,073)	(1,073)	(1,073)	(1,073)
Incentive scheme	2,354	2,354	2,354	2,354
Other reserve capital	341,274	341,274	248,859	248,859
Retained earnings	78,994	72,246	143,633	139,882
<b>Long-term liabilities</b>	<b>128,882</b>	<b>130,107</b>	<b>124,404</b>	<b>122,645</b>
Interest-bearing loans and borrowings	116,994	115,315	115,015	115,015
Deferred income tax provision	8,414	11,195	5,442	3,683
Provision for benefits after the employment period	3,296	3,296	3,283	3,283
Provisions, deferred revenues and accruals	-	-	7	7
Financial liabilities due to lease	178	301	657	657
<b>Short-term liabilities</b>	<b>182,539</b>	<b>169,593</b>	<b>167,616</b>	<b>167,616</b>
Trade and other liabilities	174,513	160,145	155,200	155,200
Current portion of interest-bearing loans and borrowings	4,699	6,051	5,641	5,641
Income tax liabilities	-	-	3,266	3,266
Provisions	2,716	2,722	2,579	2,579
Financial liabilities due to lease	611	675	930	930
<b>Total liabilities</b>	<b>311,421</b>	<b>299,700</b>	<b>292,020</b>	<b>290,261</b>
<b>TOTAL LIABILITIES</b>	<b>906,959</b>	<b>901,017</b>	<b>854,334</b>	<b>845,076</b>

## CASH FLOW STATEMENT

	For the reporting period ended			
	31 March 2018	31 December 2017	31 March 2017	31 March 2017 adjusted
<b>Cash flows from operating activities</b>				
<b>Profit (loss) of the period</b>	<b>550</b>	<b>54,405</b>	<b>22,869</b>	<b>24,941</b>
<b>Adjustments by:</b>	<b>2,865</b>	<b>12,262</b>	<b>(7,593)</b>	<b>(9,665)</b>
Amortisation and depreciation	5,739	22,631	5,609	5,609
Foreign exchange (gains)/losses	(902)	(2,369)	(2,715)	(2,715)
Net interest and dividends	464	(6,229)	238	238
(Profit)/loss on investment activities	2	892	44	44
Change in receivables	(17,912)	9,355	(11,721)	(11,721)
Change in inventories	4,089	(2,685)	3,670	3,670
Change in liabilities, excluding loans and borrowings	17,106	4,280	(1,545)	2,153
Change in accruals and deferrals	(1,536)	4,590	7,104	4,763
Change in provisions	(1,297)	(1,809)	(4,118)	(7,547)
Income tax paid	(5,846)	(25,690)	(10,233)	(10,233)
Current tax recognised in profit or loss	2,958	9,116	6,074	6,074
Provision for retirement benefits	-	135	-	-
Other adjustments	-	45	-	-
<b>Net cash from operating activities</b>	<b>3,415</b>	<b>66,667</b>	<b>15,276</b>	<b>15,276</b>
<b>Cash flows from investment activities</b>				
Sale of tangible fixed assets and intangible assets	6	769	12	12
Purchase of tangible fixed assets and intangible assets	(5,963)	(21,032)	(2,425)	(2,425)
Purchase of financial assets	-	(8,630)	(8,583)	(8,583)
Dividends received	-	7,796	-	-
Interest received	242	877	248	248
Borrowings granted	(2,000)	(32,106)	(9,036)	(9,036)
Repayment of borrowings granted	-	4,618	-	-
<b>Net cash from investing activities</b>	<b>(7,715)</b>	<b>(47,708)</b>	<b>(19,784)</b>	<b>(19,784)</b>
<b>Cash flows from financing activities</b>				
Payments of capital	-	1,371	-	-
Inflows from loans and borrowings taken out	12,639	10,917	38,274	38,274
Repayment of loans and borrowings	(12,358)	(42,301)	(71,086)	(71,086)
Dividends paid	-	(4,780)	-	-
Interest paid	(756)	(2,484)	(423)	(423)
Repayment of leasing liabilities	(186)	(1,166)	(331)	(331)
<b>Net cash from financing activities</b>	<b>(661)</b>	<b>(38,443)</b>	<b>(33,566)</b>	<b>(33,566)</b>
<b>Net increase (decrease) in cash and cash (equivalents)</b>	<b>(4,961)</b>	<b>(19,484)</b>	<b>(38,074)</b>	<b>(38,074)</b>
Net foreign exchange differences	(224)	425	(226)	(226)
Opening balance of cash	<b>32,684</b>	<b>52,593</b>	<b>52,593</b>	<b>52,593</b>
Closing balance of cash, of which:	<b>27,947</b>	<b>32,684</b>	<b>14,293</b>	<b>14,293</b>
of limited disposability	-	-	-	-

**STATEMENT OF CHANGES IN EQUITY**  
**for 3 months ended 31 March 2018**

	Share capital	Share premium	Retained earnings (losses) retained	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>As at 1 January 2018</b>	<b>23,931</b>	<b>114,556</b>	<b>72,246</b>	<b>48,029</b>	<b>341,274</b>	<b>(1,073)</b>	<b>2,354</b>	<b>601,317</b>
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-
<b>As at 1 January 2018 after adjustments</b>	<b>23,931</b>	<b>114,556</b>	<b>72,246</b>	<b>48,029</b>	<b>341,274</b>	<b>(1,073)</b>	<b>2,354</b>	<b>601,317</b>
Provisions for employee benefits	-	-	-	-	-	-	-	-
Current result	-	-	550	-	-	-	-	550
Hedge accounting	-	-	6,198	(12,527)	-	-	-	(6,329)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>6,748</b>	<b>(12,527)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,779)</b>
<b>As at 31 March 2018</b>	<b>23,931</b>	<b>114,556</b>	<b>78,994</b>	<b>35,502</b>	<b>341,274</b>	<b>(1,073)</b>	<b>2,354</b>	<b>595,538</b>

**STATEMENT OF CHANGES IN EQUITY**  
**for 3 months ended 31 March 2017**

	Share capital	Share premium	Retained earnings (losses) retained	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>As at 1 January 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>120,764</b>	<b>(9,328)</b>	<b>248,859</b>	<b>(1,073)</b>	<b>2,354</b>	<b>498,691</b>
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	(5,823)	37	-	-	-	(5,786)
<b>As at 1 January 2017 after adjustments</b>	<b>23,901</b>	<b>113,214</b>	<b>114,941</b>	<b>(9,291)</b>	<b>248,859</b>	<b>(1,073)</b>	<b>2,354</b>	<b>492,905</b>
Current result	-	-	24,941	-	-	-	-	<b>24,941</b>
Hedge accounting	-	-	-	36,969	-	-	-	<b>36,969</b>
Incentive Scheme valuation	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>24,941</b>	<b>36,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,910</b>
<b>As at 31 March 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>139,882</b>	<b>27,678</b>	<b>248,859</b>	<b>(1,073)</b>	<b>2,354</b>	<b>554,815</b>

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2017

	Share capital	Share premium	Retained earnings (losses) retained	Revaluation reserve from valuation of hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>As at 1 January 2017</b>	<b>23,901</b>	<b>113,214</b>	<b>120,764</b>	<b>(9,328)</b>	<b>248,859</b>	<b>(1,073)</b>	<b>2,354</b>	<b>498,691</b>
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	(5,823)	37	-	-	-	(5,786)
<b>As at 1 January 2017 after adjustments</b>	<b>23,901</b>	<b>113,214</b>	<b>114,941</b>	<b>(9,291)</b>	<b>248,859</b>	<b>(1,073)</b>	<b>2,354</b>	<b>492,905</b>
Reclassification to reserve capital	-	-	(92,415)	-	92,415	-	-	-
Share capital increase in connection with the implementation of the Incentive Scheme	30	1,342	-	-	-	-	-	1,372
Payment of dividend for 2016	-	-	(4,780)	-	-	-	-	(4,780)
Provisions for employee benefits	-	-	95	-	-	-	-	95
Current result	-	-	54,405	-	-	-	-	54,405
Hedge accounting	-	-	-	57,320	-	-	-	57,320
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>54,500</b>	<b>57,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,820</b>
<b>As at 31 December 2017</b>	<b>23,931</b>	<b>114,556</b>	<b>72,246</b>	<b>48,029</b>	<b>341,274</b>	<b>(1,073)</b>	<b>2,354</b>	<b>601,317</b>

**Signature of the person entrusted with bookkeeping:**

**Chief Accountant  
Anna Wilczyńska**

.....

**Signatures of the Members of the Management Board:**

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Klaus Dieter Dahlem**

.....

**Member of the Management Board  
Mariusz Gazda**

.....

**Member of the Management Board  
Maria Florczuk**

.....

**Member of the Management Board  
Andreas Disch**

.....

Ostrów Mazowiecka, 24 May 2018