

Ostrów Mazowiecka, October 29, 2018

## **CURRENT REPORT No. 29/2018**

**Subject:** confidential information - preliminary information on the Issuer's financial results for the third quarter of 2018

Management Board FABRYK MEBLI "FORTE" S.A. with headquarters in Ostrów Mazowiecka (hereinafter: Issuer, Company), publishes preliminary information on financial results of Capital Group FABRYKI MEBLI "FORTE" S.A. (hereinafter: the Capital Group) achieved in the third quarter of 2018.

According to preliminary calculations, the approximate value of consolidated sales revenues of the Capital Group in the third quarter of 2018 amounted to PLN 256 million (including PLN 8 million from the sale of chipboard), compared to PLN 268 million in the corresponding period of 2017.

In the nine-month period of 2018, the estimated value of consolidated turnover was PLN 810 million (including PLN 14 million from the sale of particle board), compared to PLN 804 million achieved during the nine months of 2017.

The estimated consolidated EBIT of the Capital Group for the third quarter of 2018 amounted to PLN 14.4 million, compared to PLN 23 million in the third quarter of 2017.

In the nine-month period of 2018, the estimated EBIT result amounted to PLN 53.5 million compared to PLN 80.6 million achieved in the corresponding period of 2017.

The estimated consolidated EBITDA result of the Capital Group for the third quarter of 2018 amounted to PLN 27.3 million, compared to PLN 30.1 million in the third quarter of 2017. In the three quarters of 2018, the estimated EBITDA result amounted to PLN 85.3 million compared to PLN 100.2 million achieved in the same period of 2017.

The Management Board of the Company informs that the financial results given above are estimates and may differ from the final data, which will be presented in the interim report for the third quarter of 2018.

Commenting on the presented results, the Issuer's Management Board confirms that the poor sales results of the third quarter are the result of a further significant slowdown in the retail market of furniture, both on foreign markets and in Poland. The downward trend, which the Company observed in the second quarter, was even more pronounced in the third quarter and had a direct impact on profitability. The company estimates that the ordering of the product offer carried out in the first half of the year also had an impact on the turnover of the third quarter. The decrease in year-on-year turnover on sales of furniture by only 7% was the result of launching several important promotional campaigns with the largest customers, the cost of which, however, directly translated into the margins obtained.

Also, the efficiency of the new raw chipboard production plant in the current quarter was below expectations, mainly due to unplanned downtime resulting from the failure. The Management Board of the Issuer points out that despite the very smooth start of the production process in the new plant, however, the raw chipboard production plant is still at the start-up stage, both in terms of efficiency and the target parameters of the products and counts on the fact that similar situations may still occur until the production process is fully stabilized.

The third factor affecting the results of the third quarter is the situation on the labor market and the pressure on wages, which resulted in the launch of the introduction at the turn of July and August this year. payroll regulations that increase effective remuneration in the Capital Group.

Looking at the turnover achieved by the Company in the third quarter of 2018, the Issuer's Management Board confirms that they are below expectations that it had at the end of the second quarter.