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**INDEPENDENT AUDITOR'S REPORT  
ON REVIEW OF INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018**

To the Shareholders of Fabryki Mebli „FORTE” S.A.

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of the Fabryki Mebli "FORTE" S.A. Capital Group with its parent company's registered office in Ostrów Mazowiecka, ul. Biała 1 ("Capital Group") prepared as at 30 June 2018 ("Interim condensed consolidated financial statements"), which comprise:

- Interim condensed consolidated profit and loss account for the six months ended 30 June 2018,
- Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2018,
- Interim condensed consolidated statement of financial position (balance sheet) prepared as at 30 June 2018,
- Interim condensed consolidated cash flow statement for the six months ended 30 June 2018, and
- Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2018,
- Accounting principles (policy) and selected explanatory notes.

Management of the parent company is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements, based on our review.

**This document is a translation.  
The Polish original should be referred to in matters of interpretation.**

*Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution dated 5 March 2018 of the National Council of Certified Auditors as the National Standard on Review 2410. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union, and in accordance with the adopted accounting principles (policy).

On behalf of audit firm  
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13 September 2018

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The Polish original should be referred to in matters of interpretation.**



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

**Interim Condensed Consolidated Financial Statements  
for the six months ended 30.06.2018**

Prepared in accordance with  
International Financial Reporting Standards

TABLE OF CONTENTS	
SELECTED FINANCIAL DATA	3
Interim condensed consolidated profit and loss account	4
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of financial position (balance sheet)	6
Interim condensed consolidated cash flow statement	7
Interim condensed consolidated statement of changes in equity	8
Interim condensed consolidated statement of changes in equity	9
Interim condensed consolidated statement of changes in equity	10
Accounting principles (policy) and selected explanatory notes	11
1. General information	11
2. Composition of the Group	11
3. Composition of the Management Board	13
4. Composition of the Supervisory Board	13
5. Approval of the financial statements	13
6. Important values based on professional judgement and estimates	14
Professional judgement	14
Classification of lease agreements	14
Depreciation rates	14
Scope of consolidation and assessment of control	14
Uncertainty of estimates	14
Impairment of assets	14
Fair value of financial assets	14
Valuation of provisions	14
Deferred tax asset	14
7. Basis for preparation of the interim condensed consolidated financial statements	14
8. Changes to the applied accounting principles / method of presentation of data in the financial statements	15
8.1. Changes to the applied accounting principles	15
8.2. Impact of the adoption of ifrs 9 on the Group's financial statements	15
8.3. Error correction	16
9. Foreign currency translation	17
10. Seasonality of operations	17
11. Revenue and costs	17
Sales revenue	17
Other operating revenue	18
Other operating costs	18
Financial revenue	18
Financial costs	18
Costs by type	19
12. Information on operating segments	19
13. Changes in estimates	19
Prepayments and provisions	19
Provisions	20
Balance sheet allowances	20
Allowances for receivables	20
Allowances for inventories	20
14. Income tax	21
15. Tangible fixed assets	21

**1** The accounting principles (policy) and explanatory notes to the consolidated financial statements form an integral part thereof.

16. Investment property.....	22
17. Intangible assets.....	22
Expenditure on research and development .....	22
Description of collaterals established on intangible assets .....	22
Intangible assets with an indefinite useful life .....	23
Non-current assets held for sale.....	23
18. Financial instruments.....	24
Fair value hierarchy.....	26
19. Financial assets.....	27
20. Cash and cash equivalents.....	29
21. Share capital and supplementary/reserve capital.....	29
Share capital.....	29
Share premium .....	29
Other capital.....	29
Cash flow hedging reserve.....	29
Hedge costs.....	30
22. Dividend paid and proposed.....	30
23. Earnings per share .....	30
24. Interest-bearing bank loans .....	31
25. Hedge accounting and other financial instruments.....	35
26. Related party transactions .....	38
Commercial transactions.....	38
Loans and borrowings granted to related entities .....	39
Joint venture in which the parent company is a venturer .....	40
Terms and conditions of transactions with related entities .....	40
Information on entities bound by personal links .....	40
Transactions with participation of the Management Board, key management or members of their immediate families.....	40
27. Off-balance sheet items.....	40
28. Post balance sheet events .....	41

**SELECTED FINANCIAL DATA**

	In thous. PLN		In thous. PLN	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Net revenue from sales of products, goods, materials and services	553 542	536 578	130 568	126 331
Profit (loss) on operating activities	39 146	57 981	9 234	13 651
Pre-tax profit (loss)	15 554	56 602	3 669	13 326
Period profit (loss) attributable to shareholders of Parent Company	7 621	45 631	1 798	10 743
Net comprehensive income for the period	(34 974)	84 242	(8 250)	19 834
Net cash flow from operating activities	19 622	25 523	4 628	6 009
Net cash flow from investment activities	(129 086)	(144 941)	(30 488)	(34 125)
Net cash flow from financing activities	88 723	57 086	20 928	13 440
Net increase/decrease in cash and cash equivalents	(20 741)	(62 332)	(4 892)	(14 675)
Number of shares (in pcs)	23 930 769	23 901 084	23 930 769	23 751 084
Profit (loss) per ordinary share attributable to shareholders of Parent Company (in PLN/EUR)	0.32	1.91	0.08	0.45
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
Total assets	1 544 723	1 482 035	354 164	355 327
Total liabilities	943 737	846 075	216 374	202 852
Long-term liabilities	78 347	562 881	17 963	134 954
Short-term liabilities	865 390	283 194	198 411	67 898
Equity capital (attributable to shareholders of Parent Company)	597 693	632 649	137 035	151 682
Share capital	23 931	23 931	5 487	5 738
Book value per share (in PLN/EUR)	24.98	26.44	5.73	6.34

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	For the reporting period ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited converted)
<b>Continuing operations</b>		
Revenue from sales of goods, products and materials	550 017	532 940
Revenue from sales of services	3 525	3 638
<b>Sales revenue</b>	<b>553 542</b>	<b>536 578</b>
Cost of goods, products and materials sold	(366 278)	(332 306)
Cost of services sold	(1 835)	(1 992)
<b>Cost of sales</b>	<b>(368 113)</b>	<b>(334 298)</b>
<b>Gross profit (loss) on sales</b>	<b>185 429</b>	<b>202 280</b>
Other operating revenue	1 551	791
Selling costs	(116 651)	(115 221)
G&A costs	(28 761)	(26 278)
Other operating costs	(2 422)	(3 591)
<b>Profit (loss) on operating activities</b>	<b>39 146</b>	<b>57 981</b>
Financial revenue	459	5 863
Financial costs	(19 836)	(3 883)
Profit (loss) on derivative financial instruments	(79)	31
Share in profit/loss of subsidiaries accounted for using equity method	(4 136)	(3 390)
<b>Pre-tax profit (loss)</b>	<b>15 554</b>	<b>56 602</b>
Income tax	(7 950)	(10 948)
<b>Period profit (loss) on continuing operations</b>	<b>7 604</b>	<b>45 654</b>
<b>Discontinued operations</b>	-	-
<b>Period profit (loss) on discontinued operations</b>	-	-
<b>Period profit (loss)</b>	<b>7 604</b>	<b>45 654</b>
Attributable to:		
Shareholders of Parent Company	<b>7 621</b>	<b>45 631</b>
Non-controlling shareholders	<b>(17)</b>	<b>23</b>
Period profit (loss) per share attributable to shareholders of Parent Company (in PLN):		
- basic	0.32	1.91
- diluted	0.32	1.91

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	For the reporting period ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited converted)
<b>Period profit (loss)</b>	<b>7 604</b>	<b>45 654</b>
<b>Other net comprehensive income, incl.:</b>	<b>(42 578)</b>	<b>38 552</b>
<b>Items that will not be reclassified to profit or loss in future periods</b>	<b>(750)</b>	-
Valuation of certificates	(750)	-
<b>Items that may be reclassified to profit or loss in future periods</b>	<b>(41 828)</b>	<b>38 588</b>
Exchange differences on translation of foreign operations	435	(711)
Hedge accounting	(64 612)	45 547
Hedge costs	22 349	(6 248)
<b>Comprehensive income for the period</b>	<b>(34 974)</b>	<b>84 242</b>
<b>Attributable to:</b>		
Shareholders of Parent Company	(34 957)	84 219
Non-controlling shareholders	(17)	23



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>01.01.2017</b>
	<b>(unaudited)</b>	<b>converted</b>	<b>converted</b>
<b>ASSETS</b>	<b>1 078 493</b>	<b>1 044 190</b>	<b>609 243</b>
Non-current assets	858 183	788 084	351 827
Land held under perpetual usufruct	10 138	10 138	10 142
Intangible assets	16 675	16 617	16 267
Financial assets	119 801	120 382	158 061
Investment property	73 696	73 270	72 946
Investments accounted for using equity method	-	2 266	-
Receivables from financial instruments	-	33 433	-
<b>Current assets</b>	<b>466 230</b>	<b>437 845</b>	<b>564 743</b>
Inventory	222 800	170 251	143 746
Trade and other receivables	189 007	185 911	320 635
Receivables from derivative financial instruments	7 697	18 210	-
Income tax receivables	10 335	6 402	91
Prepayments	2 901	4 004	3 231
Financial assets	288	199	1 162
Cash and cash equivalents	33 202	52 868	95 878
<b>TOTAL ASSETS</b>	<b>1 544 723</b>	<b>1 482 035</b>	<b>1 173 986</b>
<b>Total equity</b>	<b>600 986</b>	<b>635 960</b>	<b>546 610</b>
<b>Equity (attributable to shareholders of Parent Company), incl.:</b>	<b>597 692</b>	<b>632 649</b>	<b>543 404</b>
Share capital	23 931	23 931	23 901
Share premium	114 556	114 556	113 214
Exchange differences on translation of foreign operations	112	(586)	797
Cash flow hedging reserve	(18 133)	46 479	(9 291)
Hedge costs	16 151	(6 198)	(5 823)
Other revaluation capital	(21 892)	(21 142)	17 654
Incentive scheme	2 354	2 354	2 354
Other reserve capital	447 132	358 807	249 079
Retained earnings	33 481	114 448	151 519
<b>Equity attributable to non-controlling shareholders</b>	<b>3 294</b>	<b>3 311</b>	<b>3 206</b>
<b>Long-term liabilities</b>	<b>78 347</b>	<b>562 881</b>	<b>397 889</b>
Interest-bearing bank loans and borrowings	16 423	527 749	391 263
Liabilities to entities accounted for using equity method	1 975	-	-
Deferred income tax provision	5 262	10 234	1 386
Provision for post-employment benefits	3 606	3 601	3 395
Accruals	41 659	18 771	13
Liabilities under derivative financial instruments	6 375	-	-
Financial liabilities under lease	125	301	842
Other long-term liabilities	2 922	2 225	990
<b>Short-term liabilities</b>	<b>865 390</b>	<b>283 194</b>	<b>229 487</b>
Trade and other liabilities	200 194	231 611	169 007
Contractual liabilities	6 384	1 125	587
Current part of interest-bearing bank loans and borrowings	650 318	45 291	27 066
Income tax liability	183	-	10 176
Deferred income	2 004	280	-
Provisions	2 747	2 716	2 916
Liabilities under derivative financial instruments	3 075	1 492	18 659
Financial liabilities under lease	485	679	1 076
<b>Total liabilities</b>	<b>943 737</b>	<b>846 075</b>	<b>627 376</b>
<b>TOTAL LIABILITIES</b>	<b>1 544 723</b>	<b>1 482 035</b>	<b>1 173 986</b>

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	For the period ended		
	30.06.2018 (unaudited)	31.12.2017 (converted)	30.06.2017 converted (unaudited)
<b>Cash flows from operating activities</b>			
<b>Period profit/(loss)</b>	<b>7 621</b>	<b>76 965</b>	<b>45 631</b>
<b>Adjustments by:</b>	<b>12 001</b>	<b>(4 322)</b>	<b>(20 108)</b>
Share in profit/loss of entities accounted for using equity method	4 136	5 356	3 390
(Profit)/loss of non-controlling shareholders	(17)	105	23
Depreciation	18 855	26 946	12 497
Foreign exchange (gains)/losses	16 612	(17 248)	(11 975)
Net interest and dividends	5 564	7 854	3 460
(Profit)/loss on investment activities	(4)	863	42
Hedge accounting	79	(13 041)	(31)
Change in receivables	(7 892)	3 391	(6 666)
Change in inventory	(52 550)	(26 505)	(6 759)
Change in liabilities, excl. loans and borrowings	24 006	5 754	(5 679)
Change in prepayments and accruals	1 854	(797)	(388)
Change in provisions	4 801	18 316	3 265
Interest tax paid	(6 498)	(28 351)	(18 910)
Current tax recognised in the profit and loss account	2 748	11 864	8 239
Exchange differences on translation	135	70	(711)
Provision for retirement benefits	-	239	-
Incentive scheme valuation	-	779	-
Investment property revaluation	172	83	95
<b>Net cash flows from operating activities</b>	<b>19 622</b>	<b>72 643</b>	<b>25 523</b>
<b>Cash flows from investment activities</b>			
Sale of tangible fixed assets and intangible assets	61	894	108
Purchase of tangible fixed assets and intangible assets	(129 051)	(276 191)	(133 960)
Real property investments	(431)	(1 104)	(396)
Purchase of financial assets	-	(8 630)	(8 583)
Dividends received	289	278	270
Interest received	46	97	20
Loans granted	-	(9 354)	(2 400)
<b>Net cash flows from investment activities</b>	<b>(129 086)</b>	<b>(294 010)</b>	<b>(144 941)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans/borrowings	111 630	259 143	155 455
Contributions to capital	-	1 371	-
Repayment of loans/borrowings	(40 324)	(86 696)	(108 365)
Repayment of liabilities under lease	(369)	(1 187)	(674)
Dividends paid to shareholders of Parent Company	-	(4 780)	(4 780)
Interest paid	(6 075)	(8 221)	(3 706)
Financial income from grants received	23 861	19 038	19 156
<b>Net cash flows from financing activities</b>	<b>88 723</b>	<b>178 668</b>	<b>57 086</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(20 741)</b>	<b>(42 699)</b>	<b>(62 332)</b>
Net exchange differences (on valuation of cash)	1 075	(311)	(248)
<b>Opening balance of cash</b>	<b>52 868</b>	<b>95 878</b>	<b>95 878</b>
<b>Closing balance of cash, incl.:</b>	<b>33 202</b>	<b>52 868</b>	<b>33 298</b>
Restricted cash	763	5 650	11 734

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for 6 months ended 30 June 2018 (unaudited)**

	Attributable to shareholders of Parent Company											Total equity
	Share capital	Share premium	Exchange differences on translation of foreign operations	Revaluation reserve	Incentive scheme	Retained earnings/ uncovered (losses)	Hedging instruments revaluation reserve	Hedge costs	Other reserve capital	Total	Equity of non-controlling shareholders	
<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>114 448</b>	<b>46 479</b>	<b>(6 198)</b>	<b>358 807</b>	<b>632 649</b>	<b>3 311</b>	<b>635 960</b>
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
<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>114 448</b>	<b>46 479</b>	<b>(6 198)</b>	<b>358 807</b>	<b>632 649</b>	<b>3 311</b>	<b>635 960</b>
Transfer of retained earnings to reserve capital	-	-	-	-	-	(88 325)	-	-	88 325	-	-	-
Property revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Current result	-	-	-	-	-	7 621	-	-	-	7 621	(17)	<b>7 604</b>
Hedge costs in the reporting period	-	-	-	-	-	-	-	22 349	-	22 349	-	<b>22 349</b>
Hedge accounting	-	-	-	-	-	-	(64 612)	-	-	(64 612)	-	<b>(64 612)</b>
Investment certificates	-	-	-	(750)	-	-	-	-	-	(750)	-	<b>(750)</b>
Exchange differences	-	-	698	-	-	(263)	-	-	-	435	-	<b>435</b>
<b>Comprehensive income for the period</b>			<b>698</b>	<b>(750)</b>	-	<b>7 358</b>	<b>(64 612)</b>	<b>22 349</b>	-	<b>(34 957)</b>	<b>(17)</b>	<b>(34 974)</b>
<b>As at 30 June 2018</b>	<b>23 931</b>	<b>114 556</b>	<b>112</b>	<b>(21 892)</b>	<b>2 354</b>	<b>33 481</b>	<b>(18 133)</b>	<b>16 151</b>	<b>447 132</b>	<b>597 692</b>	<b>3 294</b>	<b>600 986</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2017 (audited converted)**

	Attributable to shareholders of Parent Company											
	Share capital	Share premium	Exchange differences on translation of foreign operations	Revaluation reserve	Incentive scheme	Retained earnings/ uncovered (losses)	Hedging instruments revaluation reserve	Hedge costs	Other reserve capital	Equity of non-Totalcontrolling shareholders	Total equity	
<b>As at 1 January 2017 converted</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>(9 291)</b>	<b>(5 823)</b>	<b>249 079</b>	<b>543 404</b>	<b>3 206</b>	<b>546 610</b>
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
<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>151 519</b>	<b>(9 291)</b>	<b>(5 823)</b>	<b>249 079</b>	<b>543 404</b>	<b>3 206</b>	<b>546 610</b>
Equity increase in connection with implementation of the incentive scheme	30	1 342	-	-	-	-	-	-	-	1 372	-	<b>1 372</b>
Dividend payment for 2016	-	-	-	-	-	(4 780)	-	-	-	(4 780)	-	<b>(4 780)</b>
Transfer to reserve capital	-	-	-	-	-	(109 728)	-	-	109 728	-	-	-
Property revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	3	-	-	-	3	-	<b>3</b>
Provisions for employment benefits	-	-	-	-	-	95	-	-	-	95	-	<b>95</b>
Current result	-	-	-	-	-	77 339	-	-	-	77 339	105	<b>77 444</b>
Reversal of valuation entries	-	-	-	-	-	-	9 291	5 823	-	15 114	-	<b>15 114</b>
Hedge costs in the reporting period	-	-	-	-	-	-	-	(6 198)	-	(6 198)	-	<b>(6 198)</b>
Hedge accounting	-	-	-	-	-	-	46 479	-	-	46 479	-	<b>46 479</b>
Investment certificates	-	-	-	(38 796)	-	-	-	-	-	(38 796)	-	<b>(38 796)</b>
Exchange differences	-	-	(1 383)	-	-	-	-	-	-	(1 383)	-	<b>(1 383)</b>
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1 383)</b>	<b>(38 796)</b>	<b>-</b>	<b>77 434</b>	<b>55 770</b>	<b>(375)</b>	<b>-</b>	<b>92 650</b>	<b>105</b>	<b>92 755</b>
	<b>23 931</b>	<b>114 556</b>	<b>(586)</b>	<b>(21 142)</b>	<b>2 354</b>	<b>114 448</b>	<b>46 479</b>	<b>(6 198)</b>	<b>358 807</b>	<b>632 649</b>	<b>3 311</b>	<b>635 960</b>

As at 31 December 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the year ended 30 June 2017 (unaudited converted)

	Attributable to shareholders of Parent Company											
	Share capital	Share premium	Exchange differences on translation of foreign operations	Revaluation reserve	Incentive scheme	Retained earnings/ uncovered (losses)	Hedging instruments revaluation reserve	Hedge costs	Other reserve capital	Total	Equity of non-controlling shareholders	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>(9 291)</b>	<b>(5 823)</b>	<b>249 079</b>	<b>543 404</b>	<b>3 206</b>	<b>546 610</b>
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
<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>151 519</b>	<b>(9 291)</b>	<b>(5 823)</b>	<b>249 079</b>	<b>543 404</b>	<b>3 206</b>	<b>546 610</b>
Transfer to reserve capital	-	-	-	-	-	(109 728)	-	-	109 728	-	-	-
Dividend payment for 2016	-	-	-	-	-	(4 780)	-	-	-	(4 780)	-	<b>(4 780)</b>
Current result	-	-	-	-	-	45 631	-	-	-	45 631	23	<b>45 654</b>
Reversal of valuation entries	-	-	-	-	-	-	9 291	5 823	-	15 114	-	<b>15 114</b>
Hedge costs in the reporting period	-	-	-	-	-	-	-	(12 071)	-	(12 071)	-	<b>(12 071)</b>
Hedge accounting	-	-	-	-	-	-	36 256	-	-	36 256	-	<b>36 256</b>
Exchange differences	-	-	(711)	-	-	-	-	-	-	(711)	-	<b>(711)</b>
<b>Comprehensive income for the period</b>	-	-	<b>(711)</b>	-	-	<b>45 631</b>	<b>45 547</b>	<b>(6 284)</b>	-	<b>84 219</b>	<b>23</b>	<b>84 242</b>
<b>As at 30 June 2017</b>	<b>23 901</b>	<b>113 214</b>	<b>86</b>	<b>17 654</b>	<b>2 354</b>	<b>82 642</b>	<b>36 256</b>	<b>(12 071)</b>	<b>358 807</b>	<b>622 843</b>	<b>3 229</b>	<b>626 072</b>

## ACCOUNTING PRINCIPLES (POLICY) AND SELECTED EXPLANATORY NOTES

### 1. GENERAL INFORMATION

The FABRYKI MEBLI FORTE S.A. Capital Group („Group”) consists of Fabryki Mebli FORTE S.A. and its subsidiaries (see note 2). The interim condensed consolidated financial statements of the Group cover six months ended 30 June 2018 and include the following comparative data: for the interim condensed consolidated income statement, interim condensed consolidated profit and loss account - for the 6 months ended 30 June 2017; for the interim condensed consolidated statement of financial position for the year ended on 31 December 2017 and the year ended 31 December 2016; for the interim condensed consolidated statement of changes in equity and for the interim condensed consolidated cash flow statement for 6 months ended 30 June 2017 and for the year ended 31 December 2017.

FABRYKI MEBLI "FORTE" S.A. was created as a result of the transformation of FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint stock company on 9 December 1994. Initially, i.e. from 17 June 1992, the Company conducted activities under the name "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 conducted activities 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, 14th Commercial Division of the National Court Register (formerly 21st Commercial Division), under KRS number 21840.

The Parent Company was assigned REGON statistical number: 550398784.

The duration of the Parent Company and of its subsidiaries comprising the Capital Group is indefinite.

Main activities of the Parent Company include:

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

### 2. COMPOSITION OF THE GROUP

Parent Company:

FABRYKI MEBLI „FORTE” S.A. as a parent company operates through four national Branches:

- Ostrów Mazowiecka, ul. Biała 1 – the Company’s head office, including the Management Board and a manufacturing site;
- Suwałki, ul. Północna 30 – manufacturing site;
- Białystok, ul. Generała Andersa 11 – manufacturing site;
- Hajnówka, ul. 3-go Maja 51 – manufacturing site;

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

The Parent Company together with other entities form a Capital Group. As at 30 June 2018, the composition of the Capital Group was as follows:

Consolidated subsidiaries:

Subsidiaries (consolidated using full method):	Registered office	Scope of activity	Percentage share of the Group in equity	
			30.06.2018	31.12.2017
MV FORTE GMBH	Erkelenz (Germany)	Authorised seller	100%	100%
FORTE MÖBEL AG	Baar (Switzerland)	Authorised seller	99%	99%
KWADRAT SP. Z O.O.	Bydgoszcz	Real property rentals and management	81%	81%
*GALERIA KWADRAT	Bydgoszcz	Real property management	81%	81%

SP. Z O.O.

TM HANDEL SP. Z O.O. SKA	Ostrów Mazowiecka	Real property purchase, sale and management; operations and management consulting	100%	100%
**FORT INVESTMENT SP. Z O.O.	Ostrów Mazowiecka	Real property purchase, sale and management; operations and management consulting	100%	100%
TANNE SP. Z O.O.**	Ostrów Mazowiecka	Manufacturing operations	100%	100%
DYSTRI-FORTE SP. Z O.O.****	Ostrów Mazowiecka	Warehousing and storage	100%	100%
FORTE BRAND SP. Z O.O.*****	Ostrów Mazowiecka	Lease of intellectual property, real property rentals and management	100%	100%

\* indirectly related company – a 100% subsidiary of KWADRAT SP. Z O.O.

\*\* indirectly related company – a 100% subsidiary of TM HANDEL SP. Z O.O. SKA

\*\*\* change of registered office to Ostrów Mazowiecka as of 13.03.2018

\*\*\*\* change of registered office to Ostrów Mazowiecka as of 02.02.2018

\*\*\*\*\* change of business name from Terceira Sp. z o.o. to FORTE-BRAND Sp. z o.o. and change of registered office to Ostrów Mazowiecką as of 15.02.2018

Fabryki Mebli „FORTE” S.A holds a 100% stake in its subsidiary Forte Brand Sp. z o.o. (formerly Terceira Sp. z o.o.), which has been consolidated using the full method in these consolidated financial statements.

Forte Brand Sp. z o.o. holds investment certificates (series A) of SEZAM XX Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter "FIZAN"). FIZAN was founded and is managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. FIZAN investment portfolio includes a 100% stake in Bentham Sp. z o.o., which acquired approximately 8.58% shares of Fabryki Mebli "FORTE" S.A worth PLN 156 825 thousand PLN on the day of their acquisition.

FIZAN has not been consolidated in these consolidated financial statements, since the management contracts concluded between Forte Brand Sp. z o.o. and SKARBIEC TFI indicate that there is no control under IFRS 10, and thus no obligation to include FIZAN in the consolidated financial statements of the Group.

Jointly controlled companies consolidated using equity method:

Subsidiaries (consolidated using equity method):	Registered office	Scope of activity	Percentage share of the Group in equity 30.06.2018
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	Chennai (India)	Furniture manufacture and sales	50%

Other subsidiaries excluded from consolidation based on insignificant influence of their financial data on the consolidated financial statements:

Other entities	Registered office	Scope of activity	Percentage share of the Group in equity 30.06.2018
FORTE BALDAI UAB	Vilnius (Lithuania)	Authorised seller	100%
FORTE SK S.R.O.	Bratislava (Slovakia)	Authorised seller	100%
FORTE FURNITURE LTD	Preston Lancashire (United Kingdom)	Authorised seller	100%
FORTE IBERIA SLU	Valencia (Spain)	Authorised seller	100%
FORTE MOBILIER SARL	Lyon (France)	Authorised seller	100%
TM HANDEL SP. Z O.O.	Warsaw	Operations and management consulting	100%

FORESTIVO SP. Z O.O.	Suwałki	Forestry related services, manufacture of sawmill products	50%
ANTWERP FP SP. Z O.O.	Warsaw	Furniture sales agents	100%

As at 31 December 2018 and as at 31 December 2017, the percentage of voting rights held by the Parent Company in its subsidiaries corresponded to the Parent Company's share in the equity of these entities.

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

On 17 April 2018, the subsidiary Antwerp Sp. z o.o. was removed from the register of entrepreneurs of the National Court Register.

### 3. COMPOSITION OF THE MANAGEMENT BOARD

Composition of the Management Board of the Parent Company as at 30 June 2018 and as at the date of publication of these financial statements:

- Maciej Formanowicz – President 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 – Member of the Management Board

#### Changes in the composition of the Management Board

On 8 May 2018, Mr Gert Coopmann resigned from his position as a Member of the Management Board of the Issuer. His decision was due to personal reasons. Mr Coopmann will continue to cooperate with the Parent Company, providing services to the subsidiary, i.e. Möbelvertrieb FORTE GmbH with its registered office in Erkelenz (Germany).

On 8 May 2018, the Supervisory Board of the Parent Company appointed Mr Andreas Disch as a Member of the Management Board of Fabryki Mebli „FORTE” S.A. Andreas Disch is a qualified salesman, a graduate of the University of Saarbrücken and the Business School of Lyon. He holds a degree in Business Administration, majoring in International Management, Marketing and Retail. He has extensive sales experience in the cosmetics, tools and horticulture industry.

### 4. COMPOSITION OF THE SUPERVISORY BOARD

Composition of the Supervisory Board of the Parent Company as at 30 June 2018 and as at the date of publication of these financial statements:

- Zbigniew Sebastian – Chairman
- Stanisław Krauz – Member
- Jerzy Smardzewski – Member
- Bernard Woźniak – Member
- Piotr Szczepiórkowski – Member
- Jacek Tucharz - Member

#### Changes in the composition of the Supervisory Board

On 21 June 2018, the Annual General Meeting of the Parent Company resolved that its Supervisory Board consist of six members and appointed the above-mentioned persons for a new term of office.

### 5. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements were approved for publication by the Management Board on 13 April 2018.



## 6. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

### PROFESSIONAL JUDGEMENT

When applying the accounting principles (policy) to the issues set out below, the professional judgment of the management was of greatest significance, apart from the accounting estimates.

### CLASSIFICATION OF LEASE AGREEMENTS

The Group classifies lease agreements as either operating or finance lease, based on the assessment of the extent to which the benefits and risks of ownership are transferred to the lessor and the lessee. The assessment is based on the economic content of each transaction.

### DEPRECIATION RATES

Depreciation rates are determined based on the anticipated economic useful lives of tangible fixed assets and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

### SCOPE OF CONSOLIDATION AND ASSESSMENT OF CONTROL

When assessing control over an entity in which the investment was made, the Management Board of the Parent Company takes into account all facts and circumstances, including the exercise of power over a given entity, exposure to variable returns or rights to variable returns due to its involvement in a given entity, the possibility of using its power to shape the level of generated returns, as well as relations with other entities. In the opinion of the Management Board, all significant controlled entities have been included in these consolidated financial statements.

### UNCERTAINTY OF ESTIMATES

The key assumptions about the future and other major sources of estimation uncertainty at the balance sheet date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

### IMPAIRMENT OF ASSETS

The Group carried out an analysis of the impairment of inventory. The results of inventory valuation are presented in note 13 to the consolidated financial statements.

### FAIR VALUE OF FINANCIAL ASSETS

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of individual financial instruments are presented in notes 18 and 25.

### VALUATION OF PROVISIONS

Provisions for employee benefits are determined using actuarial valuations. The Group updates its provisions once a year.

### DEFERRED TAX ASSET

The Group recognises a deferred tax asset based on the assumption that it will generate a future tax profit against which the asset can be utilised. Deterioration of tax results in the future might make this assumption unjustified.

## 7. BASIS FOR PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

These condensed consolidated financial statements are presented in Polish zloty ("PLN") and all values are given in thousands of zlotys (PLN '000), except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, there are no facts or circumstances that would indicate a threat to the Group's ability to continue as a going concern for at least 12 months following the balance sheet date as a result of any intentional or compulsory omission or significant limitation of its current activity.

In these condensed consolidated financial statements, the same accounting principles and calculation methods are followed as in the last annual financial statements, except for amendments to standards and new interpretations applicable to annual periods beginning on or after January, 2018. The interim consolidated financial statements do not contain information and disclosures required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2017.

## **8. CHANGES TO THE APPLIED ACCOUNTING PRINCIPLES / METHOD OF PRESENTATION OF DATA IN THE FINANCIAL STATEMENTS**

### **8.1. CHANGES TO THE APPLIED ACCOUNTING PRINCIPLES**

When preparing the condensed interim consolidated financial statements and the condensed interim separate financial statements, the same general principles adopted for the preparation of the annual consolidated financial statements for the period ended 31 December 2017, which were published on 5 April 2018, have been applied, except for the following amendments to standards effective for annual periods beginning on 1 January 2018.

#### *IFRS 9 Financial Instruments*

The new standard was published on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018.

The purpose of the standard is to organise the classification of financial assets and to introduce uniform principles of approach to the assessment of impairment for all financial instruments.

The standard introduces the following categories of financial assets:

- measured at amortised cost
- measured at fair value through profit or loss
- measured at fair value through other comprehensive income

The classification is made at the moment of initial recognition and depends on the financial instruments management model adopted by the Group and the contractual cash flows from these instruments.

IFRS 9 introduces a new model to determine impairment losses. This model is based on expected credit losses.

In the area of hedge accounting, the changes were aimed at a better adjustment of hedge accounting to the risk management model.

The main areas of impact of the implementation of IFRS 9 are presented in note 8.2.

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

The new unified standard was published on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018.

The standard establishes a uniform framework for revenue recognition and contains the principles that replace most detailed guidelines for revenue recognition, currently existing under IFRS, in particular, IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations. The Group has applied the new standard since 1 January 2018, however an analysis of revenue sources made by the Group has shown that the introduction of changes in connection with the application of IFRS 15 will not have a material impact on the Group's financial result, statement of financial position or the equity. The Group recognises sales revenue when the risks and benefits resulting from the concluded contracts are transferred to the customer.

### **8.2. IMPACT OF THE ADOPTION OF IFRS 9 ON THE GROUP'S FINANCIAL STATEMENTS**

#### **8.2.1. CLASSIFICATION OF FINANCIAL INSTRUMENTS**

Starting on 1 January 2018, the Group has classified financial instruments in accordance with the adopted business model as follows:

- Measured at amortised cost  
These are debt instruments held to collect contractual cash flows, which only include repayments of the capital and interest (meet the SPPI test).

This category includes financial assets that meet the SPPI test, such as: loans granted, trade receivables, cash, bank loans and trade liabilities.

- Measured at fair value through profit or loss  
This category includes all instruments that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income.  
This category includes, in particular, financial instruments that do not meet the SPPI test. Gains or losses resulting from the valuation of such assets are recognised in profit or loss in the period in which they arose.
- Measured at fair value through other comprehensive income  
The Group chose to value its equity instruments in the form of investment certificates at fair value through other comprehensive income. In this situation, changes in fair value are not reclassified as financial result and once these investments are derecognised, they will not be included in the financial result. This category includes financial instruments in the form of investment certificates.
- Valuation of hedging instruments  
By valuation of hedging instruments in accordance with the assumptions under IFRS9, the Group verifies the existence of a link between the hedging instrument and the hedged item at each reporting date and performs the valuation by identifying the intrinsic and time value. The effects of such valuation are recognised in other comprehensive income.

### 8.2.2. EFFECTS OF THE ADOPTION OF IFRS 9

For the Group, the most important item are financial instruments measured at amortised cost, including impairment losses. Trade receivables with a maturity of less than 12 months from the date of its occurrence and not forwarded to factoring are not discounted and are measured at face value. For the needs of an analysis of expected credit losses, the Group made a portfolio analysis and applied a simplified matrix of impairment losses in individual maturity ranges. The analysis was based on historical data, taking into account the non-fulfilment rates, which were then adjusted for future expected events. The Group, guided by the principle of materiality, decided not to introduce the above adjustment.

In addition, as of 1 January 2018, the Group has applied a new standard in the area of hedge accounting.

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

In accordance with IFRS 9, as at 1 January 2018, both intrinsic value and time value of hedging options under hedge accounting were recognised in the Group's equity. The Group disclosed in its consolidated financial statements the effect of reversing the time value of options from the end of 2017, showing in the statement of comprehensive income under "hedge costs" the amount of PLN 6 198 thousand.

### 8.3. ERROR CORRECTION

In the reporting period ended 31 December 2017, the Group corrected a fundamental error for 2016 by adjusting the hedge accounting valuation to the requirements of IAS 39.

By assessing option strategies in 2016, the Group did not separate intrinsic value and time value of currency options. Due to the fact that only intrinsic value of options could be designated as a hedging instrument under IAS 39, the Group revalued its portfolio of hedging instruments by separating intrinsic value and time value of options. Time value of options active as at 31 December 2016 amounted to PLN (-) 7 189 thousand and pursuant to IAS 39, it was recognised in the profit and loss account under "loss on derivative financial instruments" and an amount of PLN 1 366 thousand under "deferred tax". Intrinsic value of options amounted to PLN (-) 11 471 thousand and net of deferred tax in the amount of PLN 2 179 thousand, it was recognised in the statement of financial position under "hedging instruments revaluation reserve".

In order to adjust the presentation of its financial data to the requirements of IAS 1, the Group also changed the presentation of some of the accrued expenses that were previously recognised under provisions and accruals of the statement of financial position to trade and other liabilities.

In connection with the adoption of the amended IFRS 9 by the Group starting from 1 January 2018, the above mentioned error regarding the presentation of the valuation of hedging instruments has been reclassified to equity and recognised under "hedge costs".

As at 30 June 2018, the Group recognised intrinsic value and time value of currency options under "hedging instruments revaluation reserve" and "hedge costs" in the statement of comprehensive income, in accordance with the current requirements of IFRS 9.

## 9. FOREIGN CURRENCY TRANSLATION

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

As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted to PLN according to the average foreign exchange rate established by the National Bank of Poland for a given currency, applicable as at the end of the reporting period. The resulting exchange rate differences are recognised under financial revenue/costs or, in the cases provided for in the accounting principles (policy), capitalised at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies are recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted according to the average exchange rate applicable as at the date of measurement at fair value.

Financial statements concerning foreign operations are translated to the Polish currency as follows:

- individual balance sheet items at the average rate established by the National Bank of Poland as at the balance sheet date

- Möbelvertrieb Forte GmbH – EUR – 4.3616
- Forte Möbel AG – CHF – 3.7702
- FORTE FURNITURE PRODUCTS INDIA PVT. LTD – INR -0.0547

- individual 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 date ending each month

- Möbelvertrieb Forte GmbH – EUR – 4.2395
- Forte Möbel AG – CHF – 3.6392
- FORTE FURNITURE PRODUCTS INDIA PVT. LTD – INR – 0.0532

Exchange differences arising from the translation into the presentation currency are recognised directly in equity as a separate component. Upon disposal of a foreign entity, accumulated deferred exchange differences recognised in equity, related to a given foreign entity, are recognised in the profit and loss account.

## 10. 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 as follows:

	Domestic	% share in total quarter sales	Export	% share in total quarter sales	Revenue from sales of products, goods, materials and services	% share in annual sales
Q1 2018 unaudited	36 254	12%	259 259	88%	295 513	
Q2 2018 unaudited	56 915	22%	201 114	78%	258 029	
<b>Total 2018</b>	<b>93 169</b>		<b>460 373</b>		<b>553 542</b>	
Q1 2017 unaudited	36 263	12%	257 396	88%	293 659	27%
Q2 2017 unaudited	35 880	15%	206 715	85%	242 595	22%
Q3 2017 unaudited	45 155	17%	222 595	83%	267 750	24%
Q4 2017 unaudited	45 095	15%	247 131	85%	292 226	27%
<b>Total 2017</b>	<b>162 393</b>	<b>15%</b>	<b>933 837</b>	<b>85%</b>	<b>1 096 230</b>	<b>100%</b>

## 11. REVENUE AND COSTS

### SALES REVENUE

Sales revenue	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
Revenue from sales of products, goods and materials:		
- products	529 488	525 867
- goods	4 363	3 808
- materials	16 166	3 265
Revenue from sales of services:	3 525	3 638

<b>Total net sales revenue</b>	<b>553 542</b>	<b>536 578</b>
- incl. from related entities	4 195	(54)*

\* sales adjustments issued to an unconsolidated subsidiary TM HANDEL SP. Z O.O.

The Group offers its products to customers using various INCOTERMS. Transport costs incurred by the Group related to delivery of products to customers are included in the price of the product. In the reporting period, the value of transport costs included in the sales revenue amounted to PLN 44 033 thousand (in the comparative period as at 30 June 2017: PLN 43 447 thousand).

#### Information on key customers

The largest customers for products of the Parent Company are Steinhoff International based in South Africa and Roller GmbH based in Germany. The share in turnover with Roller GmbH and Steinhoff Group exceeded 10% of the Issuer's sales revenue. There are no formal ties between the customers and the Group (within the meaning of IAS 24).

#### OTHER OPERATING REVENUE

Other operating revenue	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
Reversal of allowances	314	79
Profit on sales of tangible fixed assets	38	25
Grants	851	28
Donations and compensations	220	293
Other	128	366
<b>Total other operating revenue</b>	<b>1 551</b>	<b>791</b>

#### OTHER OPERATING COSTS

Other operating costs	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
Creation of allowances	326	-
Liquidation and impairment losses on tangible fixed assets	-	38
Scrapping of inventory	1 102	1 492
Donations	521	308
Penalties and compensations	187	1 408
Court fees	8	2
Other	278	343
<b>Total other operating costs</b>	<b>2 422</b>	<b>3 591</b>

#### FINANCIAL REVENUE

Financial revenue	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
Dividends	289	270
Exchange differences on financial assets and liabilities	-	5 529
Interest	170	64
<b>Total financial revenue</b>	<b>459</b>	<b>5 863</b>

#### FINANCIAL COSTS

Financial costs	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)

Interest on loans and leases	5 897	3 775
Commissions on loans	126	69
Exchange differences on financial assets and liabilities	13 771	-
Other	42	39
<b>Total financial costs</b>	<b>19 836</b>	<b>3 883</b>

#### COSTS BY TYPE

Costs by type	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
Depreciation	18 855	12 497
Consumption of materials and energy	285 967	260 118
Third-party services	108 334	95 862
Taxes and fees	5 392	5 038
Payroll	86 816	80 375
Social insurance and other benefits	20 808	22 267
Other costs by type	6 598	6 396
<b>Total costs by type</b>	<b>532 770</b>	<b>482 553</b>
Change in product inventory and accruals	(37 020)	(11 184)
Manufacturing cost of products for internal purposes	(1 008)	(1 461)
Selling costs	(116 651)	(115 221)
G&A costs	(28 761)	(26 278)
<b>Manufacturing cost of products and services sold</b>	<b>349 330</b>	<b>328 409</b>
<b>Value of goods and materials sold</b>	<b>18 783</b>	<b>5 889</b>
<b>Cost of sales</b>	<b>368 113</b>	<b>334 298</b>

#### Information on key suppliers

Turnover generated with any of the suppliers did not exceed 10% of the Group's sales revenue.

#### 12. INFORMATION ON OPERATING SEGMENTS

The Group does not have separate operating segments within the meaning of IFRS 8.

#### 13. CHANGES IN ESTIMATES

As at 30 June 2018, the Group made the following changes in its estimates, compared to 31 December 2017 and 30 June 2017:

#### PREPAYMENTS AND PROVISIONS

Prepayments	30.06.2018 (unaudited)	31.12.2017
Property and motor insurance	537	1 411
Perpetual usufruct	563	-
Trade fair	-	185
Settlement of project costs	1 092	1 229
Business trips	29	24
Licences	36	109
Other	644	1 046
<b>Total prepayments</b>	<b>2 901</b>	<b>4 004</b>

<b>Deferred income</b>	<b>30.06.2018</b> <b>(unaudited)</b>	<b>31.12.2017</b>
Long-term part of the grant	41 659	18 771
Short-term part of the grant	2 004	280
	<b>43 663</b>	<b>19 051</b>

Deferred income in the amount of PLN 42 899 thousand refers to an investment grant related to the construction of a wood-based panel production plant, obtained by the subsidiary TANNE Sp. z o.o. from the Ministry of Development and Finance as part of the Programme for supporting investments of strategic importance for Polish economy. The maximum amount granted under the programme may amount to PLN 57 000 thousand.

In addition, in the reporting period, the Parent Company received an advance grant from the Ministry of Investment and Development under the "Support for investment in R&D infrastructure of enterprises" project. The grant was recognised under long-term deferred income.

In July 2018, the Management Board of the Parent Company decided to change the scope of the project to create a Research and Development Centre and applied to the Ministry of Investment and Development for the possibility of changing the contract for co-financing the project. The advance payment received in July 2018 was returned to the bank account of the Ministry of Investment and Development.

<b>Short-term provisions</b>	<b>30.06.2018</b> <b>(unaudited)</b>	<b>31.12.2017</b>
Short-term provision for post-employment benefits	433	432
Provision for warranty repairs	2 314	2 284
	<b>2 747</b>	<b>2 716</b>

#### PROVISIONS

<b>Provisions</b>	<b>30.06.2018</b> <b>(unaudited)</b>	<b>31.12.2017</b>
Deferred tax provision	5 262	10 234
Post-employment benefits	3 606	3 601

#### BALANCE SHEET ALLOWANCES

##### ALLOWANCES FOR RECEIVABLES

<b>Allowances for receivables</b>	<b>30.06.2018</b> <b>(unaudited)</b>	<b>31.12.2017</b>
Allowance as at 1 January	1 737	1 960
Exchange differences	11	(34)
Creation	327	679
Use	(55)	(256)
Release	(461)	(612)
Allowance as at period end	<b>1 559</b>	<b>1 737</b>

##### ALLOWANCES FOR INVENTORIES

<b>Allowances for inventories</b>	<b>30.06.2018</b> <b>(unaudited)</b>	<b>31.12.2017</b>
Allowance as at 1 January	8 419	8 754

Increase	-	671
Decrease	-	(1 006)
<b>Allowance as at period end</b>	<b>8 419</b>	<b>8 419</b>

In the reporting period ended 30 June 2018, the Group analysed the amount of allowances for inventories. Since the current amount of allowances reflected in the Group's accounting books substantially corresponds to the estimated allowances, the Group has not changed their value.

#### 14. INCOME TAX

The main items of tax charge for 6 months ended 30 June 2018 and 30 June 2017 are as follows:

Income tax	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2017 (unaudited)
<b>Current income tax</b>		
Current charge due to income tax	2 763	8 254
Adjustments related to current income tax from previous years	(15)	(15)
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	5 202	2 709
<b>Tax charge recognised in the consolidated profit and loss account</b>	<b>7 950</b>	<b>10 948</b>

The Parent Company is currently being inspected with respect to corporate income tax for the years 2015-2017. As at the date of publication of these financial statements, the audit has not been completed.

#### 15. TANGIBLE FIXED ASSETS

The carrying amount of machinery and equipment used by the Group as at 30 June 2018 under finance lease agreements and hire purchase agreements is PLN 1 447 thousand (as at 31 December 2017: PLN 1 905 thousand; as at 30 June 2017: PLN 2 979 thousand), of which PLN 276 thousand relates to the lease of machinery and equipment, PLN 1 171 thousand - the lease of means of transport.

##### Assets pledged as collateral

Land and buildings with a carrying amount of PLN 334 382 thousand (as at 31 December 2017: PLN 278 556 thousand and as at 30 June 2017: PLN 195 563 thousand) are covered by mortgages established to secure bank loans. Additionally, machinery and equipment with a carrying amount of PLN 422 594 thousand are subject to registered pledge (as at 31 December 2017: PLN 396 383 thousand and as at 30 June 2017: PLN 274 353 thousand).

In the reporting period ended 30 June 2018, the capitalised borrowing costs amounted to PLN 5 914 thousand (as at 31 December 2017: PLN 8 519 and as at 30 June 2017: 2 505).

##### Investment liabilities

As at 30 June 2018, the Group's investment liabilities amounted to PLN 31 968 thousand (as at 31 December 2017: 81 435 thousand and as at 30 June 2017: PLN 45 272 thousand).

##### Non-current assets held for sale

As at 30 June 2018, the Group did not have non-current assets classified as held for sale.

##### Purchase and sale

In the 6 months ended 30 June 2018, the Group purchased fixed assets of PLN 88 093 thousand (in the comparative period ended 31 December 2017: PLN 464 608 thousand; as at 30 June 2017: PLN 250 177 thousand) and sold fixed assets with a net value of PLN 59 thousand (in the comparative period ended 31 December 2017: PLN 722 000 thousand; as at 30 June 2017: PLN 89 thousand).

The most significant investments made by the Group in H1 2018 include capital expenditure incurred by TANNE Sp. z o.o. for the construction of a chipboard factory in Suwałki in the amount of PLN 75 081 thousand.



## 16. INVESTMENT PROPERTY

Properties which are not used or which are only used to a small extent for manufacturing purposes are classified by the Group as investment properties and treated as a source of rental income under long-term rental contracts.

As at the balance sheet date, the Group's investment properties include: shopping centres in Wrocław and Bydgoszcz, a warehousing complex in Wrocław, real property in Przemyśl, premises in Kraków and land located in Sokółka.

	Change in fair value	
	30.06 2018	31.12.2017
Opening balance at the beginning of the reporting period	73 270	72 946
- expenditure on modernisation	426	1 103
- reclassification from tangible fixed assets	-	-
- purchase of investment land	-	-
- revaluation to fair value	-	(779)
<b>Closing balance at the end of the reporting period</b>	<b>73 696</b>	<b>73 270</b>

In the nearest future, the Group is planning further modernisation of the real property in Bydgoszcz and start of modernisation of the property in Wrocław. On real properties worth PLN 53 750 thousand, a mortgage was established as a collateral for an investment loan taken by the Group.

### Fair value hierarchy

Between 31 December 2017 and 30 June 2018, the value of real property increased by PLN 426 thousand. This change was influenced by expenditures incurred on the modernisation of real property in Bydgoszcz. The last fair value measurement was confirmed by independent appraisers in their appraisal reports prepared as at 27 and 29 December 2017. In order to update the valuations, the appraisers used the income method using simple capitalisation technique and the pairwise comparison method. In the reporting period, the reason for an increase in the value of property were expenditures for its modernisation.

As at 30 June 2018, the fair value hierarchy was as follows:

	Level 1	Level 2	Level 3	Fair value as at 30.06.2018
Real property in Wrocław	-	-	36 900	<b>36 900</b>
Real property in Bydgoszcz	-	-	19 946	<b>19 946</b>
Real property in Przemyśl	-	-	14 795	<b>14 795</b>
Real property in Kraków	-	-	1 070	<b>1 070</b>
Land in Sokółka	-	-	985	<b>985</b>
			<b>73 696</b>	<b>73 696</b>

## 17. INTANGIBLE ASSETS

### EXPENDITURE ON RESEARCH AND DEVELOPMENT

In the reporting period ended 30 June 2018, the Group recognised in its profit and loss account an amount of PLN 1 181 thousand for research work on innovative technological projects (in the comparative period ended 31 December 2017: PLN 1 111 thousand), while for development work, the Group incurred expenditure in the amount of PLN 325 thousand as at 30 June 2018 (in the comparative period ended 31 December 2017: PLN 507 thousand).

### DESCRIPTION OF COLLATERALS ESTABLISHED ON INTANGIBLE ASSETS

On 16 December 2016, TERCEIRA Sp. z o.o. (currently FORTE BRAND Sp. z o.o.) took out a loan with ING Bank Śląski S.A. to purchase investment certificates of SEZAM XX Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, totalling PLN 145 500 thousand.

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

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**INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE**

The only component of intangible assets with an indefinite useful life is the trademark.

The Group was unable to determine the period of using its trademark, because there is no foreseeable limit to the period over which the Group expects to derive economic benefits from sales under the FORTE trademark.

The value in use of the trademark was estimated using the method of exemption from licence fees. In this method, the value is determined based on discounted future streams of licence fees, including licence agreements concluded on an arm's length basis for comparable brands.

Due to an indefinite useful life of the trademark, it is tested for impairment by the Group at least once a year. The last test was carried out on 31 December 2017, in accordance with the adopted assumptions, and did not show any impairment.

**NON-CURRENT ASSETS HELD FOR SALE**

As at 30 June 2018, the Group did not have non-current assets classified as held for sale.

**18. FINANCIAL INSTRUMENTS**

<b>Classification of financial instruments according to IFRS 9 as at 30 June 2018 at carrying amount</b>					
	Financial assets available for sale	Loans and receivables	Financial liabilities at amortised cost	Hedging instruments	<b>Total</b>
<b>Non-current financial assets:</b>	<b>108 381</b>	<b>10 661</b>	-	-	<b>119 042</b>
Financial assets	108 381	10 661	-	-	119 042
Hedge accounting receivables	-	-	-	-	-
<b>Current financial assets:</b>	<b>113</b>	<b>159 232</b>	-	<b>7 697</b>	<b>167 042</b>
Trade and other receivables	-	125 855	-	-	125 855
Cash and cash equivalents	-	33 202	-	-	33 202
Hedge accounting receivables	-	-	-	7 697	7 697
Other financial assets	113	175	-	-	288
<b>Long-term financial liabilities:</b>	-	-	<b>(16 423)</b>	<b>(6 375)</b>	<b>(22 798)</b>
Interest-bearing loans and borrowings	-	-	(16 423)	-	(16 423)
Hedge accounting liabilities	-	-	-	(6 375)	(6 375)
<b>Short-term financial liabilities:</b>	-	-	<b>(837 280)</b>	<b>(3 075)</b>	<b>(840 355)</b>
Trade and other liabilities	-	-	(186 962)	-	(186 962)
Hedge accounting liabilities	-	-	-	(3 075)	(3 075)
Current part of bank loans and borrowings	-	-	(650 318)	-	(650 318)
	<b>108 494</b>	<b>169 893</b>	<b>(853 703)</b>	<b>(1 753)</b>	<b>(577 069)</b>

**Classification of financial instruments according to IAS 39 as at 31 December 2017  
at carrying amount**

	Financial assets available for sale	Loans and receivables	Financial liabilities at amortised cost	Hedging instruments	Financial assets excluded from the scope of IAS 39	<b>Total</b>
<b>Non-current financial assets:</b>	<b>109 307</b>	<b>10 313</b>	-	<b>33 433</b>	-	<b>153 053</b>
Financial assets	109 307	10 313	-	-	-	119 620
Receivables from derivatives	-	-	-	33 433	-	33 433
<b>Current financial assets:</b>	<b>107</b>	<b>184 567</b>	-	<b>18 210</b>	-	<b>202 884</b>
Trade and other receivables	-	131 607	-	-	-	131 607
Receivables from derivatives	-	-	-	18 210	-	18 210
Cash and cash equivalents	-	52 868	-	-	-	52 868
Other financial assets	107	92	-	-	-	199
<b>Long-term financial liabilities:</b>	-	-	<b>(527 749)</b>	-	<b>(301)</b>	<b>(528 050)</b>
Interest-bearing loans and borrowings	-	-	(527 749)	-	-	(527 749)
Financial liabilities under lease	-	-	-	-	(301)	(301)
Other financial liabilities	-	-	-	-	-	-
<b>Short-term financial liabilities:</b>	-	-	<b>(256 268)</b>	<b>(1 492)</b>	<b>(679)</b>	<b>(258 439)</b>
Trade and other liabilities	-	-	(210 977)	-	-	(210 977)
Liabilities under derivatives	-	-	-	(1 492)	-	(1 492)
Current part of bank loans and borrowings	-	-	(45 291)	-	-	(45 291)
Financial liabilities under lease	-	-	-	-	(679)	(679)
	<b>109 414</b>	<b>194 880</b>	<b>(784 017)</b>	<b>50 151</b>	<b>(980)</b>	<b>(430 552)</b>

The carrying amount of financial instruments does not significantly deviate from their fair value.

#### FAIR VALUE HIERARCHY

Financial instruments measured at fair value are disclosed in the following note only.

	Ad at 30 June 2018		As at 31 December 2017 adjusted	
	Level 2	Level 3	Level 2	Level 3
Non-current financial assets	-	3	-	3
Receivables from derivatives	7 697	-	51 643	-
Liabilities under derivatives	(9 450)	-	(1 793)	-
	<b>(1 753)</b>	<b>3</b>	<b>49 850</b>	<b>3</b>

#### Methods of determining the fair value of financial instruments

##### Level 1

In the reporting period ended 30 June 2018, the Group had no financial instruments measured at fair value classified as level 1 (as at 31 December 2017: none).

##### Level 2

Receivables or liabilities under derivatives are classified by the Group as level 2. Both changes in intrinsic value and time value are recognised in other comprehensive income. The Group recognises the fair value of financial instruments that meet the hedge accounting criteria based on bank valuations.

##### Level 3

Shares held in unlisted companies for which it is not possible to reliably determine their fair value are classified as level 3. For these companies, there are no active markets or comparable transactions with the use of the same instruments. In the statement of financial position, these shares are valued at purchase price less impairment losses.

	As at	
	30.06.2018	31.12.2017 adjusted
Opening balance	3	3
Impairment allowances	-	-
Sales	-	-
Closing balance	<b>3</b>	<b>3</b>

In the reporting period, there was no reclassification or shifting of financial instruments between different levels (in the comparative period: none).

## 19. FINANCIAL ASSETS

	As at	
	30.06.2018 (unaudited)	31.12.2017
<b>Long-term financial assets</b>		
Stocks/ shares in subsidiaries not listed on the stock exchange, excluded from consolidation	651	651
Investment certificates	108 378	109 304
Other stocks and shares	3	3
Other	-	-
<b>Other long-term financial assets</b>		
Long-term receivables	47	50
Loans granted to related entities	7 261	6 913
Loans granted to other entities	3 400	3 400
Other	61	61
	<b>119 801</b>	<b>120 382</b>

### Selected financial data for FORTE FURNITURE PRODUCTS INDIA PVT. LTD, consolidated using the equity method (a 50% share in the company's equity):

SELECTED FINANCIAL DATA ACCORDING TO THE SHARE IN THE COMPANY'S EQUITY	30.06.2018 (unaudited)
Non-current assets	228
Current assets	13 462
<b>Total assets</b>	<b>13 690</b>
Equity	(1 975)
Long-term liabilities	8 672
Short-term liabilities	6 993
<b>Total liabilities</b>	<b>13 690</b>
<b>Current result</b>	<b>(4 136)</b>

Stocks and shares in subsidiaries excluded from consolidation are valued at historical cost less impairment losses. Financial data obtained from subsidiaries whose shares were not covered by impairment losses do not indicate impairment of shares, therefore no impairment tests were conducted for shares in subsidiaries.

### Stocks/ shares in subsidiaries excluded from consolidation as at 30 June 2018:

Company name	Type of affiliation	Date of taking over the control/ significant influence	Value of stocks/ shares at acquisition price	Revaluation adjustments	Carrying amount of stocks/ shares
FORTE BALDAI UAB	Subsidiary	16.04.1999	164	-	164
FORTE SK S r o	Subsidiary	13.12.2002	96	-	96
FORTE FURNITURE Ltd.	Subsidiary	10.08.2005	6	-	6
FORTE IBERIA S.l.u.	Subsidiary	15.09.2005	279	-	279
FORTE MOBILIER S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	(5)	-

FORESTIVO Sp. z o.o.	Jointly controlled entity	15.03.2016	101	-	101
ANTWERP FP SP. z o.o.	Subsidiary	11.07.2017	5	-	5
<b>TOTAL</b>			<b>1 055</b>	<b>(404)</b>	<b>651</b>

**Percentage of assets, revenues and results of subsidiaries excluded from consolidation as at 30 June 2018 was as follows:**

Company name	Type of affiliation	In current result	In revenue	In total assets
FORTE BALDAI UAB	Subsidiary	-0.04%	0.01%	0.02%
FORTE SK S.R.O.	Subsidiary	1.38%	0.08%	0.02%
FORTE FURNITURE LTD	Subsidiary	0.19%	0.01%	0.02%
FORTE IBERIA SLU	Subsidiary	0.58%	0.12%	0.03%
FORTE MOBILIER SARL	Subsidiary	-0.01%	0.00%	0.00%
TM HANDEL SP. Z O.O.	Subsidiary	0.11%	0.11%	0.08%
FORESTIVO SP. Z O.O.	Jointly controlled entity	-0.05%	0.00%	0.01%
ANTWERP FP SP. Z O.O.	Subsidiary	0.01%	0.37%	0.07%

**Percentage of assets, revenues and results of subsidiaries excluded from consolidation as at 31 December 2017 was as follows:**

Company name	Type of affiliation	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0.02%	0.03%	0.01%
Forte SK S.r.o.	Subsidiary	0.03%	0.19%	0.49%
Forte Furniture Ltd.	Subsidiary	0.02%	0.13%	0.50%
Forte Iberia S.l.u.	Subsidiary	0.03%	0.27%	0.14%
Forte Mobilier Sarl	Subsidiary	0.00%	0.00%	-0.08%
TM Handel Sp. z o.o.	Subsidiary	0.11%	0.08%	0.09%
ANTWERP Sp. z o.o. w likwidacji	Subsidiary	0.00%	0.00%	0.00%
FORESTIVO Sp. z o.o.	Jointly controlled entity	0.01%	0.00%	-0.02%
ANTWERP FP SP. z o. o.	Subsidiary	0.08%	0.20%	0.06%

Percentage means the share of assets, revenues and results of subsidiaries excluded from consolidation in the corresponding items of the consolidated financial statements prior to inclusions.

**Shares held by the Group in other entities are as follows:**

**30 June 2018, 31 December 2017**

Company name	Registered office	Core business	Carrying amount of shares
MEBLOPOL SP. Z O.O.	Poznań	Trade	3
<b>TOTAL</b>			<b>3</b>

**Description of collaterals established on long-term financial assets:**

Investment certificates held by the Group with the carrying amount of PLN 108 378 thousand were covered by financial pledge for ING Bank Śląski S.A. up to the highest collateral amount of PLN 174 600 thousand and secure the repayment of the loan taken by the Group to purchase these certificates.

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	As at		
	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Cash at bank and in hand	33 026	52 292	30 904
Other cash (deposits under 3 months, corporate bonds)	176	576	2 394
<b>Total cash and cash equivalents</b>	<b>33 202</b>	<b>52 868</b>	<b>33 298</b>

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits. Short-term deposits are made for various periods, from one day to three months, depending on the Group's current demand for cash and bear interest at negotiated interest rates. The fair value of cash and cash equivalents as at 30 June 2018 is PLN 33 202 thousand (31 December 2017: PLN 52 868 thousand).

As at 30 June 2018, the Group has restricted cash of PLN 763 thousand (31 December 2017: PLN 5 650 thousand).

The limited availability of cash results from the grant provided to the Parent Company for the construction of the Research and Development Centre.

## 21. SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL

### SHARE CAPITAL

In the reporting period ended 30 June 2018, there were no changes in the share capital of the Parent Company.

### SHARE PREMIUM

During the 6 months ended 30 June 2018, there were no events resulting in a change in the share premium (2017: changes occurred).

### OTHER CAPITAL

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2018	1 250	357 557	358 807
Deduction from profit for investments and financing the Group's current operations	-	88 325	88 325
<b>As at 30 June 2018 (unaudited)</b>	<b>1 250</b>	<b>445 882</b>	<b>447 132</b>

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2017	1 250	247 829	249 079
Deduction from profit for investments and financing the Group's current operations	-	109 728	109 728
<b>As at 30 June 2017 (unaudited)</b>	<b>1 250</b>	<b>357 557</b>	<b>358 807</b>

### CASH FLOW HEDGING RESERVE

	30.06.2018 (unaudited)	31.12.2017



Result on financial instruments hedging cash flows at the beginning of the reporting period	46 479	(9 291)
Amount recognised in equity in the reporting period due to hedging transactions	(70 586)	73 306
Amount transferred to profit and loss account due to conclusion of hedge transactions	(7 375)	(2 725)
Deferred income tax	13 349	(14 811)
	<b>(18 133)</b>	<b>46 479</b>

#### HEDGE COSTS

	<b>30.06.2018 (unaudited)</b>	<b>31.12.2017</b>
Hedge costs at the beginning of the reporting period	(6 198)	(5 823)
Reversal of valuation entries from the previous period	6 198	5 823
Hedge costs recognised in equity in the reporting period	19 939	(7 652)
Deferred income tax	(3 788)	1 454
Hedge costs at the end of the reporting period	<b>16 151</b>	<b>(6 198)</b>

#### 22. DIVIDEND PAID AND PROPOSED

Pursuant to a resolution of the Annual General Meeting of Fabryki Mebli "FORTE SA" of 21 June 2018, a decision was made to allocate the Company's full net profit for the year 2017 in the amount of PLN 54 405 thousand to reserve capital.

Pursuant to a resolution of the Annual General Meeting of FABRYKI MEBLI „FORTE SA” of 17 May 2017, a decision was made to distribute the Company's net profit for the financial year 2016 in the amount of PLN 97 195 thousand, allocating PLN 4 780 thousand for dividend payment and PLN 92 415 thousand to reserve capital. Dividend was paid on 9 June 2017 and amounted to PLN 0.20 per share.

#### 23. EARNINGS PER SHARE

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	<b>For 6 months ended</b>	
	<b>30.06.2018 (unaudited)</b>	<b>30.06.2017 (unaudited)</b>
Net profit (loss) on continuing operations	7 604	45 654
Loss on discontinued operations		
Net profit (loss)	7 604	45 654
Net profit (loss) attributable to ordinary shareholders, applied to calculate diluted earnings per share	7 604	45 654

	<b>For 6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23 930 769	23 901 084
Effect of dilution:		
Convertible bonds	-	-
Adjusted weighted average number of ordinary shares, applied to calculate diluted earnings per share	23 930 769	23 901 084

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

#### 24. INTEREST-BEARING BANK LOANS

Breakdown of loans by currency (translated into PLN, in '000 PLN)

<b>Borrower</b>	<b>Short-term</b>	<b>Nominal interest rate %</b>	<b>Repayment date</b>	<b>30.06.2018</b>	
				<b>(unaudited)</b>	<b>31.12.2017</b>
FORTE S.A.	mBank S.A. – investment loan of EUR 2 400 thousand – short-term part	1M EURIBOR	by 31.12.2018	1 104	2 307
FORTE S.A.	PKO BP S.A. – investment loan of EUR 3 500 thousand – short-term part	1M EURIBOR	by 22.12.2018	2 308	3 744
FORTE S.A.	PKO BP S.A.– revolving loan of PLN 100 000 thousand – long-term part	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	45 161	-
FORTE S.A.	ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand – long-term part	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 30.06.2019	57 168	-
DYSTRI-FORTE SP. Z O.O.	ING Bank Śląski S.A. – investment loan of EUR 7 250 thousand – short-term part	3M EURIBOR	by 31.12.2021	20 213	5 699
FORTE BRAND SP. Z O.O.	ING Bank Śląski S.A. – investment loan of PLN 130 000 thousand – short-term part	1M WIBOR	by 16.12.2019	112 172	21 259
TANNE SP. Z O.O.	PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand	3M EURIBOR	by 17.10.2024	412 192	12 282
<b>Total short-term</b>				<b>650 318</b>	<b>45 291</b>
<b>Borrower</b>	<b>Long-term</b>	<b>Nominal interest rate %</b>	<b>Repayment date</b>	<b>30.06.2018</b>	
				<b>(unaudited)</b>	<b>31.12.2017</b>

FORTE S.A.	PKO BP S.A.– revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	-	44 764
FORTE S.A.	ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 30.06.2019	-	54 717
FORTE S.A.	mBank S.A. – revolving loan of EUR 5 000 thousand	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 12.12.2019	16 423	15 834
DYSTRI-FORTE SP. Z O.O.	ING Bank Śląski S.A. – investment loan of EUR 7 250 thousand	3M EURIBOR	by 31.12.2021	-	17 143
FORTE BRAND SP. Z O.O.	ING Bank Śląski S.A. – investment loan part A of PLN 130 000 thousand	1M WIBOR	by 16.12.2019	-	100 514
TANNE SP. Z O.O.	PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand	3M EURIBOR	by 17.10.2024	-	294 777
<b>Total long-term</b>				<b>16 423</b>	<b>527 749</b>

Apart from the nominal interest rate, negotiated bank margins, which reflect the risk related to financing the Group, should be taken into account.

Borrower	Loan collaterals as at	30 June 2018 (unaudited)
FORTE S.A.	PKO BP S.A. – investment loan of EUR 3 500 thousand	<ol style="list-style-type: none"> <li>1. Registered pledge on purchased movable property of not less than EUR 5 130 thousand</li> <li>2. Assignment of rights from insurance policy</li> <li>3. Blank promissory note with a promissory note declaration</li> </ol>
FORTE S.A.	mBank S.A. – investment loan of EUR 2 400 thousand	<ol style="list-style-type: none"> <li>1. Registered pledge on purchased machinery and equipment up to the maximum collateral amount of EUR 3 600 thousand</li> <li>2. Assignment of rights from insurance policy</li> </ol>
FORTE S.A.	PKO BP S.A. – revolving loan of PLN 100 000 thousand	<ol style="list-style-type: none"> <li>1. Joint contractual capped mortgage up to PLN 120 000 thousand established on the perpetual usufruct right to the Issuer’s developed properties and buildings located thereon that constitute objects of property separated from land, located in Hajnówka and Ostrów Mazowiecka</li> <li>2. Blank promissory note with a promissory note declaration, assignment of rights from insurance contracts pertaining to real property on which mortgage was established</li> <li>3. Assignment of rights from insurance policy</li> <li>4. Registered pledge on inventories of items specified as to their kind, located in the Branch in Hajnówka</li> </ol>

FORTE S.A.	ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	<ol style="list-style-type: none"> <li>1. Registered pledge on movable property of the factory in Suwałki and Ostrów Mazowiecka up to the maximum collateral amount of PLN 120 000 thousand</li> <li>2. Joint capped mortgage up to PLN 54 000 thousand established on the perpetual usufruct of land and the ownership right to buildings of the factory in Suwałki, along with the assignment of rights from insurance policy</li> <li>3. Registered pledge on inventories with a minimum value of PLN 65 000 in the factory in Suwałki and Ostrów Mazowiecka up to the maximum collateral amount of PLN 120 000</li> <li>4. Assignment of rights from insurance policy</li> </ol>
FORTE S.A.	mBank S.A. – revolving loan of EUR 5 000 thousand	<ol style="list-style-type: none"> <li>1. Blank promissory note with a promissory note declaration</li> <li>2. Registered pledge on fixed assets up to the maximum collateral amount of EUR 6 000 thousand</li> </ol>
DYSTRI-FORTE SP. Z O.O.	ING Bank Śląski S.A. – investment loan totalling EUR 7 250 thousand	<ol style="list-style-type: none"> <li>1. Joint mortgage up to the amount of EUR 6 000 thousand established on the ownership right to land, buildings and premises located at ul. Biała in Ostrów Mazowiecka</li> <li>2. Registered pledge on equipment of the high bay warehouse in Ostrów Mazowiecka</li> <li>3. Assignment of rights from insurance policy</li> <li>4. Surety provided by the Parent Company</li> </ol>
FORTE BRAND SP. Z O.O.	ING Bank Śląski S.A. – investment loan A and B totalling 130 000 thousand	<ol style="list-style-type: none"> <li>1. Joint mortgage up to the amount of PLN 174 600 thousand established on the perpetual usufruct of land and the ownership right to buildings and facilities constituting real properties located: in Wrocław at ul. Brücknera, ul. Robotnicza; in Przemyśl at ul. Bakończycka, on a cooperative ownership right to commercial premises located in Kraków at ul. Aleksandry</li> <li>2. Joint mortgage up to the amount of PLN 174 600 thousand established on the ownership right to real properties located in Białystok, ul. Gen. Andersa 11 lok. 1 and lok. 2</li> <li>3. Registered pledge on the protection right to word and figurative marks containing “FORTE” up to the maximum collateral amount of PLN 174 600 thousand</li> <li>4. Financial pledge on investment certificates up to the maximum collateral amount of PLN 174 600 thousand</li> <li>5. Financial and registered pledge on shares of companies acquired by the company or companies being assets of the Fund, up to the maximum collateral amount of PLN 174 600 thousand</li> <li>6. Assignment of rights under licence agreement with respect to word and figurative marks containing “FORTE”, made by TERCEIRA and FABRYKI MEBLI „FORTE” S.A.;</li> <li>7. Assignment of rights from insurance policy pertaining to real property on which mortgages were established</li> <li>8. Blank promissory note with a promissory note declaration</li> </ol>
TANNE SP. Z O.O.	PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand	<ol style="list-style-type: none"> <li>1. Surety provided by the Parent Company up to the amount of EUR 105 000 thousand for liabilities of TANNE Sp. z o.o. towards PKO BP under loan agreement,</li> <li>2. Surety provided by the Parent Company up to the amount of EUR 105 000 thousand for liabilities of TANNE Sp. z o.o. towards BGK under loan agreement,</li> <li>3. Surety provided by the Parent Company up to the amount of EUR 18 564 thousand for liabilities of TANNE Sp. z o.o. towards PKO BP under hedging agreement,</li> <li>4. Surety provided by the Parent Company up to the amount of EUR 21 750 thousand for liabilities of TANNE Sp. z o.o. towards BGK under hedging agreement,</li> <li>5. Guarantee Agreement signed by the Parent Company,</li> <li>6. Agreement subordinating claims of the Parent Company against TANNE Sp. z o.o. to claims of PKO BP and BGK under loan agreement and hedging agreements,</li> <li>7. Establishing by the Parent Company, as security for the Bank’s claims, limited property rights in the form of financial pledges and registered pledges on the shares of TANNE Sp. z o.o. held by the Parent Company,</li> </ol>

8. Declaration made by the Parent Company in favour of PKO BP on submission to enforcement with respect to all of the Company's assets up to amount of EUR 105 000 thousand, in connection with the surety securing the loan agreement,
9. Declaration made by the Parent Company in favour of BGK on submission to enforcement with respect to all of the Company's assets up to amount of EUR 105 000 thousand, in connection with the surety securing the loan agreement,
10. Declaration made by the Parent Company in favour of PKO BP on submission to enforcement with respect to all of the Company's assets up to amount of EUR 18 564 thousand, in connection with the surety securing the hedging agreement,
11. Declaration made by the Parent Company in favour of BGK on submission to enforcement with respect to all of the Company's assets up to amount of EUR 21 750 thousand, in connection with the surety securing the hedging agreement,
12. Declaration made by the Parent Company in favour of PKO BP on submission to enforcement under Art. 777 § 1 item 5) of the Code of Civil Procedure, with respect to the shares subject to registered pledge established for PKO BP as pledge administrator (to secure claims under loan agreement) up to the amount of EUR 210 000 thousand,
13. Declaration made by the Parent Company in favour of PKO BP on submission to enforcement with respect to the shares subject to registered pledge established for PKO BP as pledge administrator (to secure claims under hedging agreements) up to the amount of EUR 40 314 thousand,
14. Establishing a registered pledge over a set of things and rights included in TANNE Sp. z o.o. in favour of PKO BP as pledge administrator,
15. Entering into a management agreement or a lease agreement with respect to TANNE Sp. z o.o., in the event of PKO BP, as pledge administrator, seeking satisfaction from the pledged property, with entities designated by PKO BP in a manner specified in the pledge agreement, as well as granting powers of attorney in accordance with the pledge agreement,
16. Establishing limited property rights in the form of mortgages on the ownership right of TANNE Sp. z o.o. to real property located in Suwałki, consisting of a plot of land no. 32812/6, 32812/5, 32810/1, 32813, 32812/7, 32812/9, 32810/5, 32807/1, 32807/2, 32807/3, 32808/1,
17. Entering into and performing an agreement on assigning rights under agreements, pursuant to which TANNE Sp. z o.o. will transfer to PKO BP, as a transferee and security agent, TANNE's monetary rights and monetary claims under documents, to which it is a party or a beneficiary (now or in the future),
18. Establishing by TANNE Sp. z o.o. limited property rights in the form of financial pledges and registered pledges on the rights arising from the bank accounts opened and maintained for the Company, as well as granting powers of attorney to manage and make dispositions with regard to the accounts opened and maintained for the Company,
19. Entering into and performing by TANNE Sp. z o.o. an agreement subordinating claims of the Company's creditors to claims of Banks arising from loan agreement and hedging agreements,
20. Entering into and performing by TANNE Sp. z o.o. direct contracts with PKO BP (acting on behalf of Banks as security agent) or business partners of the Company,
21. Declaration made by TANNE Sp. z o.o. in favour of PKO BP and BGK on submission to enforcement with respect to monetary obligation of the Company towards PKO BP under loan agreement, for the repayment of all amounts due to PKO BP related to the loan, up to the amount of EUR 105 000 thousand,
22. Declaration made by TANNE Sp. z o.o. in favour of PKO BP on submission to enforcement with respect to monetary

- obligation of the Company towards PKO BP under hedging agreement, up to the amount of EUR 18 564 thousand,  
23. Declaration made by TANNE Sp. z o.o. in favour of BGK on submission to enforcement with respect to monetary obligation of the Company towards BGK under hedging agreement, up to the amount of EUR 21 750 thousand

**Breakdown of loans by currency (translated into PLN, in '000 PLN)**

Currency	As at		
	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
PLN	228 362	237 088	186 147
EUR	435 817	335 952	262 804
USD	2 562	-	3 397
	<b>666 741</b>	<b>573 040</b>	<b>452 348</b>

Pursuant to Annex No. 4 of 10.05.2018 to the loan agreement made on 17.10.2016 between TANNE Sp. z o.o. and the Consortium of PKO BP and BGK, at the request of the borrower, the amount of the loan agreement was reduced from EUR 140 000 thousand to EUR 130 000 thousand.

In view of the current financial situation of the Group, i.e. a decline in sales dynamics and profitability, as well as a strengthening of the EUR/PLN exchange rate, the Management Board decided before the end of the reporting period to talk to Banks providing financing to the Group to increase debt ratios specified in loan agreements. Banks agreed to increase loan covenants, as requested by the Management Board.

In connection with the requirements of IAS 1 par. 65, as at the balance sheet date, the Group reclassified its long-term liabilities related to bank loans to short-term liabilities. The reason for this reclassification is the conclusion of annexes to loan agreements increasing debt ratios after 30.06.2018 – i.e. after the balance sheet date.

At the moment of concluding annexes to loan agreements, reclassified loans will be again presented in long-term liabilities - in accordance with the applicable repayment schedules.

Detailed information on the concluded annexes is included in the note regarding post balance sheet events.

**25. HEDGE ACCOUNTING AND OTHER FINANCIAL INSTRUMENTS**

The Group applies the cash flow hedge accounting method, which consists in hedging the planned sales revenue as well as hedge accounting for instruments hedging the interest rate risk.

The main purpose of cash flow hedge accounting is to secure operating revenue against changes in the foreign exchange rate between the date of creation of foreign currency exposure and the hedging transaction and the date of implementation of foreign currency exposure and the hedged transaction.

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

The main purpose of hedge accounting for interest rate risk is to secure the financial result against negative changes in interest rates. To hedge interest rate risk, the Group uses IRS (Interest Rate Swap) contracts.

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

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

Fair value of derivative financial instruments (zero-cost option strategies)	As at	
	30.06.2018	31.12.2017
Long-term receivables from derivative financial instruments	-	33 433

Short-term receivables from derivative financial instruments	7 697	18 210
Long-term liabilities under derivative financial instruments	6 375	301
Short-term liabilities under derivative financial instruments	3 075	1 492

#### Hedging instruments revaluation reserve

The hedging instruments revaluation reserve includes:

- valuation of financial instruments hedging cash flows in the amount of: PLN 1 322 thousand
- valuation of financial instruments hedging the amount of interest rates in the amount of: PLN (3 053) thousand
- deferred tax liability for hedging instruments: PLN (251) thousand

Total hedging instruments revaluation reserve: PLN (1 982) thousand

#### Cash flow hedge accounting

As at 30 June 2018, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 1 322 thousand.

The table below contains aggregate data on fair values and settlement dates, as well as aggregate information on the amount (volume) being the basis for future payments and the price of implementation of effective forward contracts. The dates of settlements are convergent with the dates in which the amounts charged to the revaluation reserve in respect of these transactions will be recognised in the profit and loss account.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Forward rate	Bank name	Fair value
EUR	18 000	Put Option	10.2015	07.2017-	4.3000	PKO BP S.A.	187
EUR	18 000	Call Option	10.2015	07.2017-	4.6300	PKO BP S.A.	(78)
EUR	12 000	Put Option	11.2015	10.2018-	4.3000	PKO BP S.A.	276
EUR	12 000	Call Option	11.2015	10.2018-	4.7070	PKO BP S.A.	(130)
EUR	24 000	Put Option	04.2016	01-03.2019	4.3500-4.4000	PKO BP S.A.	1 372
EUR	24 000	Call Option	04.2016	01-03.2019	4.8500-4.9250	PKO BP S.A.	(339)
EUR	23 000	Put Option	08.2016	07-08.2019	4.4000	PKO BP S.A.	1 389
EUR	23 000	Call Option	08.2016	07-08.2019	4.8650	PKO BP S.A.	(416)
EUR	16 000	Put Option	10.2016	10.2019	4.4500	PKO BP S.A.	1 641
EUR	16 000	Call Option	10.2016	10.2019	4.8850	PKO BP S.A.	(704)
EUR	16 000	Put Option	11.2016	11.2019	4.5000	PKO BP S.A.	2 050
EUR	16 000	Call Option	11.2016	11.2019	5.1400	PKO BP S.A.	(428)
EUR	42 000	Put Option	07.2017	12.2019-	4.3500	PKO BP S.A.	2 771
EUR	42 000	Call Option	07.2017	12.2019-	4.7300	PKO BP S.A.	(3 751)
EUR	52 000	Put Option	05.2018	09.2020-	4.4000	PKO BP S.A.	4 628
EUR	52 000	Call Option	05.2018	09.2020-	4.7580	PKO BP S.A.	(7 833)
EUR	20 000	Put Option	06.2018	05-06.2021	4.4000	PKO BP S.A.	1 817
EUR	20 000	Call Option	06.2018	05-06.2021	4.9405	PKO BP S.A.	(2 684)

<b>Total</b>						<b>PKO BP S.A.</b>	<b>(232)</b>
EUR	11 000	Put Option	12.2015	08-11.2018	4.3500	mBank S.A.	381
EUR	11 000	Call Option	12.2015	08-11.2018	4.6700	mBank S.A.	(96)
EUR	5 000	Put Option	05.2016	01-04.2019	4.4500	mBank S.A.	506
EUR	5 000	Call Option	05.2016	01-04.2019	4.9250	mBank S.A.	(73)
EUR	14 000	Put Option	10.2016	09.2019	4,4000	mBank S.A.	1 153
EUR	14 000	Call Option	10.2016	09.2019	4.9075	mBank S.A.	(530)
EUR	37 000	Put Option	08.2017	01-06.2020	4.4000	mBank S.A.	3 161
EUR	37 000	Call Option	08.2017	01-06.2020	4.7110	mBank S.A.	(3 741)
EUR	39 000	Put Option	09.2017	06-09.2020	4,4500	mBank S.A.	4 035
EUR	39 000	Call Option	09.2017	06-09.2020	4.8165	mBank S.A.	(4 042)
EUR	47 000	Put Option	04.2018	10.2020-	4.3500	mBank S.A.	3 358
EUR	47 000	Call Option	04.2018	10.2020-	4.6710	mBank S.A.	(8 249)
<b>Total</b>						<b>mBank S.A.</b>	<b>(4 137)</b>
EUR	20 000	Put Option	01.2016	07.2018-	4.4500	ING Bank	1 974
EUR	20 000	Call Option	01.2016	07.2018-	4.7800	ING Bank	(119)
EUR	15 000	Put Option	04.2016	01-03.2019	4.4000	ING Bank	1 145
EUR	15 000	Call Option	04.2016	01-03.2019	4.8950	ING Bank	(150)
EUR	10 000	Put Option	05.2016	04.2019	4.4500	ING Bank	1 051
EUR	10 000	Call Option	05.2016	04.2019	4.9600	ING Bank	(127)
EUR	22 000	Put Option	06.2016	05-06.2019	4.4500	ING Bank	2 342
EUR	22 000	Call Option	06.2016	05-06.2019	4.9300	ING Bank	(425)
<b>Total</b>						<b>ING Bank Śląski S.A.</b>	<b>5 691</b>

### Interest rate risk hedging

As at 30 June 2018, the fair value of currency contracts that met the criterion of being included in hedge accounting amounted to PLN (3 074) thousand and as an effective value of PLN (3 053) thousand, it was recognised in the revaluation reserve and as an ineffective part in the amount of PLN 21 thousand, it was recognised in the profit and loss account under profit from derivative financial instruments.

The basic terms and conditions of the IRS transaction concluded between the subsidiary TANNE Sp. z o.o. and PKO BP S.A. are as follows:

- date of the transaction: 31.01.2017,
- nominal amount and currency of the transaction - EUR 49 000 (35% of the nominal amount of the loan),
- reference rate: EURIBOR 3M,
- beginning of the first interest period - 20.09.2018,
- first exchange of interest payments - 20.12.2018,



- IRS transaction end date – 14.10.2024,
- depreciation and interest periods - in accordance with the agreed schedule,
- interest base for both swap legs (fixed and variable interest payments) - Act / 360.

## 26. RELATED PARTY TRANSACTIONS

### COMMERCIAL TRANSACTIONS

Total amounts of transactions concluded with related entities excluded from consolidation for six months ended 30 June 2018 and for the year ended 31 December 2017 respectively are presented in the table below.

Transactions with related entities relate to sales of products, goods and services, and to purchases of services.

Related entity excluded from consolidation			Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
FORTE BALDAI UAB	30.06.2018	unaudited	-	89	-	15
	31.12.2017		-	178	-	15
FORTE SK S.r.o.	30.06.2018	unaudited	2	559	-	96
	31.12.2017		-	1 121	-	92
FORTE FURNITURE Ltd.	30.06.2018	unaudited	-	188	-	32
	31.12.2017		-	757	-	61
FORTE IBERIA S.l.u	30.06.2018	unaudited	3	890	-	153
	31.12.2017		-	1 581	-	129
FORTE MOBILIER S.a.r.l.	30.06.2018	unaudited	-	-	-	-
	31.12.2017		-	-	-	-
TM HANDEL Sp. z o.o.	30.06.2018	unaudited	363	147	-	107
	31.12.2017		11	359	98	37
ANTWERP FP SP. Z O.O.	30.06.2018	unaudited				
	31.12.2017		2 700	52	1 320	27
			1 141	17	1 382	21
<b>Total</b>	<b>30.06.2018</b>	unaudited	<b>3 068</b>	<b>1 925</b>	<b>1 320</b>	<b>430</b>
	<b>31.12.2017</b>		<b>2 346</b>	<b>4 013</b>	<b>2 656</b>	<b>355</b>

Transactions with related entities relate to sales of products, goods and services, and to purchases of services.

Related entity consolidated using the equity method			Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
FORTE FURNITURE	30.06.2018	unaudited	1 127	-	2 411	-
PRODUCTS INDIA PVT. LTD	30.06.2017	unaudited	-	-	3	-
<b>Total</b>	<b>30.06.2018</b>	unaudited	<b>1 127</b>	<b>-</b>	<b>2 411</b>	<b>-</b>
	<b>31.12.2017</b>	unaudited	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### LOANS AND BORROWINGS GRANTED TO RELATED ENTITIES

Loans bear interest at a variable interest rate of 1M EURIBOR / 3M EURIBOR / 3M WIBOR plus margin on market terms.

The balance of loans granted as at 30.06.2018 is presented in the table below:

Related entity	Loan amount	Loan currency	Repayment date	Loan balance as at 30.06.2018 (unaudited)	Interest due as at 31.12.2017
<i>Related entities:</i>					
FORTE MOBILIER S.a.r.l.	40	EUR	December 2020	131	-
FORTE FURNITURE PRODUCTS INDIA Ltd	1 642	EUR	March 2022	7 163	120
<b>Total:</b>				<b>7 294</b>	<b>120</b>
<b>Including:</b>					
<i>Short-term part:</i>					
FORTE MOBILIER S.a.r.l.				33	-
FORTE FURNITURE PRODUCTS INDIA Ltd				-	120
<b>Total:</b>				<b>33</b>	<b>120</b>
<i>Long-term part:</i>					
FORTE MOBILIER S.a.r.l.				98	-
FORTE FURNITURE PRODUCTS INDIA Ltd				7 163	-
<b>Total:</b>				<b>7 261</b>	<b>-</b>

The balance of loans granted as at 31.12.2017 is presented in the table below:

Related entity	Loan amount	Loan currency	Repayment date	Loan balance as at 31.12.2017	Interest due as at 31.12.2017
<i>Related entities:</i>					
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>Including:</b>					
<i>Short-term part:</i>					
FORTE MOBILIER S.a.r.l.				62	-
FORTE FURNITURE PRODUCTS INDIA Ltd				-	7
<b>Total:</b>				<b>62</b>	<b>7</b>
<i>Long-term part:</i>					

FORTE MOBILIER S.a.r.l.	63	-
FORTE FURNITURE PRODUCTS INDIA Ltd	6 850	
<b>Total:</b>	<b>6 913</b>	<b>-</b>

#### JOINT VENTURE IN WHICH THE PARENT COMPANY IS A VENTURER

The Parent Company of the Group does not carry out joint ventures.

#### TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are carried out under terms and conditions used by the Group in relations with unrelated entities.

#### INFORMATION ON ENTITIES BOUND BY PERSONAL LINKS

MaForm SARL Luxemburg holds a 32.44% stake in the share capital of Fabryki Mebli „FORTE” S.A. (Parent Company).  
MaForm Holding Luxemburg SARL holds a 100% stake in the share capital of MaForm SARL Luxemburg.  
MaForm Holding AG holds a 90.34% stake in the share capital of MaForm Holding Luxemburg SARL. The remaining 9.66% stake in the share capital of MaForm Holding Luxemburg 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. together with his wife have a 100% stake in MaForm Holding AG.

#### TRANSACTIONS WITH PARTICIPATION OF THE MANAGEMENT BOARD, KEY MANAGEMENT OR MEMBERS OF THEIR IMMEDIATE FAMILIES

Incentive Scheme for Management Board Members of the Parent Company and issue of D, E and F series subscription warrants with the exclusion of pre-emptive rights to series D, E and F subscription warrants.  
A detailed description of the Incentive Scheme is included in the interim condensed financial statements of the Parent Company in note 22.

### 27. OFF-BALANCE SHEET ITEMS

- On 28.06.2016, the Parent Company provided surety and agreed to pay all cash liabilities of its subsidiary DYSTRI-FORTE Sp. z o.o. arising from the loan agreement of 14.12.2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Company agreed to satisfy any and all liabilities of the Borrower, including, in particular, full repayment of the principal amount of the loan, interest, commissions, fees and other costs, up to the amount of EUR 8 700 000 by 29.10.2024. As at 30.06.2018, the loan balance amounts to PLN 20 213 thousand.
- In the reporting period ended 30.06.2018, the Parent Company provided the following collaterals for investment liabilities of its subsidiary TANNE Sp. z o.o.:
  - to PAL SRL arising from an agreement for design, delivery, installation and launch of a part of the production line to manufacture chipboard. Total net value of the investment amounts to EUR 22 947 thousand. Investment project completion is planned for May 2018. The balance of outstanding liabilities at the end of the reporting period is EUR 1 721 thousand;
  - to EWK Umwelttechnik GmbH arising from an agreement for comprehensive implementation of an investment task, including design and installation of an air cleaning system. Total net value of the agreement amounts to EUR 4 700 thousand. The liability expires at 31.12.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 470 thousand;
  - to Interprint Polska Sp. z o.o. – a surety for trade liabilities up to EUR 400 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 557 thousand;
  - to IMPRESS DECOR POLSKA Sp. z o.o. – a surety for trade liabilities up to PLN 110 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is PLN 0 thousand;

- to Pfeiderer Polska Sp. z o.o. – a surety for trade liabilities up to PLN 13 000 thousand with the expiry date on 31.12.2018. The balance of outstanding liabilities at the end of the reporting period is PLN 8 103 thousand;
  - to Decor Druck Leipzig GmbH – a surety for trade liabilities up to PLN 320 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is PLN 513 thousand.
- In the reporting period ended 30.06.2018, the following collaterals for loan facilities granted to the subsidiary TANNE Sp. z o.o. were in force. As at 30.06.2018, the balance of loan facilities was EUR 94 505 thousand:
    - a surety provided by the Parent Company up to the amount of EUR 105 000 thousand for TANNE’s liabilities to PKO BP arising from the Loan Agreement;
    - a surety provided by the Parent Company up to the amount of EUR 105 000 thousand for TANNE’s liabilities to BGK arising from the Loan Agreement;
    - a surety provided by the Parent Company up to the amount of EUR 18 564 thousand for TANNE’s liabilities to PKO BP arising from the Hedging Agreement;
    - a surety provided by the Parent Company up to the amount of EUR 21 750 thousand for TANNE’s liabilities to BGK arising from the Hedging Agreement.

Hypothetical cost to be borne by the Parent Company in connection with granted sureties is equal to the balance of unpaid loans along with interest and commissions as well as the balance of unpaid investment and trade liabilities. Since both DYSTRI-FORTE Sp. z o.o. and TANNE Sp. z o.o. carry out operating activities exclusively for the Parent Company, which provides them with a stable cash flow, the materialisation of the risk of non-repayment of contingent liabilities is estimated by the Parent Company as unlikely.

## 28. POST BALANCE SHEET EVENTS

On 2 July 2018, the Parent Company announced that despite the expiry of a letter of intent at the end of June 2018, it will continue negotiations with the HOMAG Group regarding the conclusion of a contract for design, manufacture and supply of production line equipment for its new furniture factory in Suwałki. FORTE S.A. decided to postpone the investment until 2019. The reason for the decision is, first of all, to keep the current state of liabilities at a safe level.

On 12 July 2018, the Parent Company received from Powszechnie Towarzystwo Emerytalne PZU S.A. based in Warsaw, a notification regarding the purchase of 80 000 shares and exceeding the threshold of 5% of the total number of votes in the Parent Company.

On 10 September 2018, the Parent Company signed an annex to the loan agreement with PKO BP S.A. changing the acceptable debt ratios.

On 11 September 2018, TANNE Sp. z o.o. signed an annex to the loan agreement with the consortium of PKO BP S.A. and BGK changing the acceptable debt ratios.

On 12 September 2018, the Parent Company signed an annex to the loan agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

On 12 September 2018, FORTE BRAND Sp. z o.o. signed an annex to the loan agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

On 12 September 2018, DYSTRI - FORTE Sp. z o.o. signed an annex to the loan agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

**Signature of the person in charge of bookkeeping**

**Chief Accountant  
Anna Wilczyńska**

.....

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

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Maria Florczuk**

.....

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

.....

**Member of the Management Board  
Mariusz Gazda**

.....

**Member of the Management Board  
Andreas Disch**

.....

Ostrów Mazowiecka, 13 September 2018



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

Half-Yearly Management Board's Report on the Operations  
of the Capital Group

FABRYKI MEBLI  
„FORTE” S.A.  
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Ostrów Mazowiecka, 13 September 2018

## Table of Contents

1. Basic information on the Fabryki Mebli FORTE Capital Group .....	2
1.1. Information on the Parent Company of the Group.....	2
1.2. Composition of the Management Board .....	4
1.3. Composition of the Supervisory Board .....	4
1.4. Mission and policy of the Fabryki Mebli FORTE Capital Group.....	4
1.5. The most important awards and distinctions, as well as trade events in which the Issuer participated in H1 2018.	5
2. A brief description of significant achievements or failures of the Issuer's Capital Group in the period covered by the half-yearly report, along with the related events. ....	6
3. Listing of shares of Fabryki Mebli „FORTE“ S.A. ....	7
4. The effects of changes to the structure of the business entity, including business entities merger, take over or sale of entities included in the Issuer's Capital Group, long-term investments, division, restructuring or discontinued operations. ....	7
5. The position of the Management Board regarding the possibility of implementing previously published financial forecasts for a given year. ....	8
6. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the Issuer's Annual General Meeting as at the date of submitting the half-yearly report.....	8
7. Information on Issuer's shares or titles thereto, held by managing and supervising persons of the Issuer as at the date of submitting the half-yearly report.....	8
8. Information on material proceedings pending before a court, a competent arbitration authority or a public administration body. ....	8
9. Information on one or more transactions concluded by the Issuer or its subsidiary with related entities. ....	9
10. Information on loan sureties or guarantees granted by the Issuer or its subsidiary – to one entity or its subsidiary jointly, if the overall value of sureties or guarantees granted is significant.....	9
11. Other information which, in the opinion of the Issuer's Capital Group, is significant for the assessment of its personnel, property or financial situation, financial result and their changes, as well as information which is significant for the assessment of the ability to meet obligations by the Issuer's Capital Group. ....	9
12. Factors which in the Issuer's opinion will affect the performance of the Issuer and its Capital Group in the perspective of at least the next quarter.....	10
13. Description of basic threats and risks related to the remaining months of the financial year. ....	10
14. Information on changes in the economic situation or operating conditions which affect the fair value of the Issuer's financial assets and financial liabilities.....	10
15. Information on non-repayment of a loan or on violation of significant provisions of a loan agreement, for which no remedial actions have been undertaken by the end of the reporting period. ....	10
16. Exchange rates.....	10
17. Declaration of the Management Board regarding the entity authorised to audit financial statements of the Issuer and its Capital Group. ....	10
18. Declaration of the Management Board regarding the reliability of the financial statements of the Issuer and the consolidated financial statements of the Issuer's Capital Group. ....	10

## I. CURRENT FINANCIAL AND OPERATIONAL POSITION

This Management Board's Report on the operations of the Issuer's Capital Group of Fabryki Mebli "FORTE" S.A. in the first half of 2018 has been drawn up on the basis of the Minister of Finance Regulation of 29 March 2018 on current and periodic information provided by Issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws Dz.U. 2018 item 757 of 20 April 2018).

### 1. Basic information on the Fabryki Mebli FORTE Capital Group

#### 1.1. Information on the Parent Company of the Group

- FABRYKI FABRYKI MEBLI "FORTE" S.A. was created as a result of the transformation of FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint stock company on 9 December 1994. Initially, i.e. from 17 June 1992, the Company conducted activities under the name "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 conducted activities under the name FABRYKI MEBLI "FORTE" Sp. z o. o.
- The Parent Company's registered office is located in Ostrów Mazowiecka, ul. Biała 1.

The Parent Company is entered into the register of entrepreneurs of the National Court Register maintained by the District Court, 14th Commercial Division of the National Court Register (formerly 21st Commercial Division), under KRS number 21840.

The Parent Company was assigned REGON statistical number: 550398784.

The duration of the Parent Company is indefinite.

Main activities of the Parent Company include:

- production of furniture,
- provision of services in the scope of marketing, promotion, organisation of exhibitions or conferences,
- conducting trading activities domestically and abroad.

Fabryki Mebli „FORTE” S.A. operates through four national manufacturing sites:

- Ostrów Mazowiecka ul. Biała 1 – the Company's head office, including the Management Board and a manufacturing site;
- Suwałki ul. Północna 30 – manufacturing site;
- Hajnówka ul. 3-go Maja 51 – manufacturing site;
- Białystok ul. Generała Andersa 11 – manufacturing site;

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

Consolidated subsidiaries:

Subsidiaries (consolidated using full method):	Registered office	Scope of activity	Percentage share of the Group in equity	
			30.06.2018	31.12.2017
MV FORTE GMBH	Erkelenz (Germany)	Authorised seller	100%	100%
FORTE MÖBEL AG	Baar (Switzerland)	Authorised seller	99%	99%
KWADRAT SP. Z O.O.	Bydgoszcz	Real property rentals and management	81%	81%
*GALERIA KWADRAT SP. Z O.O.	Bydgoszcz	Real property management	81%	81%
TM HANDEL SP. Z O.O. SKA	Ostrów Mazowiecka	Real property purchase, sale and management; operations and management consulting	100%	100%
**FORT INVESTMENT SP. Z O.O.	Ostrów Mazowiecka	Real property purchase, sale and management; operations and management consulting	100%	100%
TANNE SP. Z O.O.***	Ostrów Mazowiecka	Manufacturing operations	100%	100%



DYSTRI-FORTE SP. Z O.O.****	Ostrów Mazowiecka	Warehousing and storage	100%	100%
FORTE BRAND SP. Z O.O.*****	Ostrów Mazowiecka	Lease of intellectual property, real property rentals and management	100%	100%

\* indirectly related company – a 100% subsidiary of KWADRAT SP. Z O.O.

\*\* indirectly related company – a 100% subsidiary of TM HANDEL SP. Z O.O. SKA

\*\*\* change of registered office to Ostrów Mazowiecka as of 13.03.2018

\*\*\*\* change of registered office to Ostrów Mazowiecka as of 02.02.2018

\*\*\*\*\* change of business name from Terceira Sp. z o.o. to FORTE-BRAND Sp. z o.o. and change of registered office to Ostrów Mazowiecką as of 15.02.2018

Fabryki Mebli „FORTE” S.A holds a 100% stake in its subsidiary Forte Brand Sp. z o.o. (formerly Terceira Sp. z o.o.), which has been consolidated using the full method in these consolidated financial statements.

Forte Brand Sp. z o.o. holds investment certificates (series A) of SEZAM XX Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter "FIZAN"). FIZAN was founded and is managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. FIZAN investment portfolio includes a 100% stake in Bentham Sp. z o.o., which acquired approximately 8.58% shares of Fabryki Mebli "FORTE" S.A worth PLN 156 825 thousand PLN on the day of their acquisition.

FIZAN has not been consolidated in these consolidated financial statements, since the management contracts concluded between Forte Brand Sp. z o.o. and SKARBIEC TFI indicate that there is no control under IFRS 10, and thus no obligation to include FIZAN in the consolidated financial statements of the Group.

Jointly controlled companies consolidated using equity method:

<b>Subsidiaries (consolidated using equity method):</b>	<b>Registered office</b>	<b>Scope of activity</b>	<b>Percentage share of the Group in equity 30.06.2018</b>
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	Chennai (India)	Furniture manufacture and sales	50%

Other subsidiaries excluded from consolidation based on insignificant influence of their financial data on the consolidated financial statements:

<b>Other entities</b>	<b>Registered office</b>	<b>Scope of activity</b>	<b>Percentage share of the Group in equity 30.06.2018</b>
FORTE BALDAI UAB	Vilnius (Lithuania)	Authorised seller	100%
FORTE SK S.R.O.	Bratislava (Slovakia)	Authorised seller	100%
FORTE FURNITURE LTD	Preston Lancashire (United Kingdom)	Authorised seller	100%
FORTE IBERIA SLU	Valencia (Spain)	Authorised seller	100%
FORTE MOBILIER SARL	Lyon (France)	Authorised seller	100%
TM HANDEL SP. Z O.O.	Warsaw	Operations and management consulting	100%
FORESTIVO SP. Z O.O.	Suwałki	Forestry related services, manufacture of sawmill products	50%
ANTWERP FP SP. Z O.O.	Warsaw	Furniture sales agents	100%

As at 30 June 2018 and as at 31 December 2017, the percentage of voting rights held by the Parent Company in its subsidiaries corresponds to the Parent Company's share in equity of these entities

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

On 17 April 2018, the subsidiary Antwerp Sp. z o.o. was removed from the register of entrepreneurs of the National Court Register.

## 1.2. Composition of the Management Board

Composition of the Management Board of the Parent Company as at 30 June 2018 and as at the date of publication of these financial statements:

- Maciej Formanowicz – President 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 – Member of the Management Board

### Changes to the composition of the Management Board

On 8 May 2018, Mr Gert Coopmann resigned from his position as a Member of the Management Board of the Issuer. His decision was due to personal reasons. Mr Coopmann will continue to cooperate with the Parent Company, providing services to the subsidiary, i.e. Möbelvertrieb FORTE GmbH with its registered office in Erkelenz (Germany).

On 8 May 2018, the Supervisory Board of the Parent Company appointed Mr Andreas Disch as a Member of the Management Board of Fabryki Mebli „FORTE” S.A.

## 1.3. Composition of the Supervisory Board

Composition of the Supervisory Board of the Parent Company as at 30 June 2018 and as at the date of publication of these financial statements:

- Zbigniew Sebastian – Chairman
- Stanisław Krauz – Member
- Jerzy Smardzewski – Member
- Bernard Woźniak – Member
- Piotr Szczepiórkowski – Member
- Jacek Tucharz – Member

On 21 June 2018, the Annual General Meeting of the Parent Company resolved that the Supervisory Board consist of six members and appointed the above-mentioned persons for a new term of office.

## 1.4. Mission and policy of the Fabryki Mebli FORTE Capital Group

Mission: production leader, a reliable supplier of modern furniture systems, satisfying customers' needs.

The goal of the Fabryki Mebli FORTE Capital Group is:

- To constantly enhance the company's values, and thus provide its shareholders with a higher than average return from the capital invested,
- To supply products and services that meet various needs and expectations of its Customers, taking into account specific requirements of the markets,
- To obtain full customer satisfaction,
- To strengthen the opinion of a reliable partner,
- To build creative relationships in the work environment, by shaping employees' awareness and personality,
- To create conditions ensuring health and safety at work,
- To run business in a way that does not endanger the environment,
- To be involved in maintaining the FSC values.

The Group implements the above policy by:

- Continuous monitoring of activities and their effects in terms of financial results and customer satisfaction, continuous improvement of the Organisational Management System, using the PN-EN ISO 9001:2009 Quality Management System standards,

- Continuous improvement of product construction and processes, so that the manufacture process is safe and the performance parameters meet customer needs and expectations,
- Shaping attitudes of safe conduct by identifying threats and creating technical, economic and organisational conditions, leading to risk reduction,
- Acting in accordance with legal requirements and other regulations pertaining to company's activities, product, occupational health and safety and environmental protection.

It is the Management Board that is constantly committed to and responsible for an effective and efficient operation of the Integrated Quality Management System and FSC.

#### 1.5. The most important awards and distinctions, as well as trade events in which the Issuer participated in H1 2018

<b>H1 2018</b>	<ul style="list-style-type: none"> <li>• <b>11-14 January 2018 – <i>Begross Messe</i> – Cologne (Germany)</b> At the fair, FORTE presented, among others, new programmes for living room and dining room, bedroom and furniture for the hall. The fair has a closed formula and only exhibitors invited by Begros – one of the largest furniture chains in Western Europe – can attend them.</li> <li>• <b>24-27 January 2018 – <i>Feria del Mueble Zaragoza</i> – Zaragoza (Spain)</b> Feria del Mueble Zaragoza is the most important furniture fair in Spain. On the area of almost 350 m2 FORTE showed over 10 new programmes, including 3 bedrooms. Customers especially liked the new Universe bedroom programme for its upholstered bed headboard.</li> <li>• <b>15 February 2018</b> – during the gala of „Meble Plus – Product of the Year“, FORTE won in two categories: <b>„BEDROOM“</b> – for the STARLET WHITE bedroom furniture collection, <b>„COMPANY OF THE YEAR 2018“</b> – for dynamic development, important investments, good financial results and successes on both domestic and export market, for satisfying expectations of a wide group of customers and the availability of products in every region of the country.</li> <li>• <b>06-09 March 2018 – <i>Furniture Poland</i> - Poznań (Poland)</b> Furniture Poland is the largest trade fair event of the furniture industry in Poland, also recognized in Europe. FORTE presented at its stand of about 600 m2 many new collections featuring foils that resemble natural wood. An interesting attraction was vintage style furniture and white furniture with shutter fronts for youth room.</li> <li>• <b>12-15 March 2018 – <i>The BUT network fair</i> – Paris (France)</b> FORTE presented its stand at the fair for the third year in a row. It was very popular among visitors. During four days, the FORTE exhibition was visited by 52 groups of representatives of the BUT network (approximately 700 visitors in total), which should translate into strengthening the position of the FORTE brand on the French market.</li> <li>• <b>26-30 March 2018 – <i>INDEX 2018 International Fair</i> – Dubai (United Arab Emirates)</b> FORTE presented furniture collections, which were very popular with potential contractors. One of the aims of our participation in the fair was to present a new production plant in India, in which the company is a shareholder.</li> <li>• <b>24 April 2018</b> – during the official gala of the Podlasie Region Brand, FORTE was honoured with the title of the Ambassador of the Podlasie Region Economy.</li> <li>• <b>06-07 June 2018 – <i>FORTE 2018 Parnter Days</i> – Ostrów Mazowiecka (Poland)</b> FORTE presented over 20 furniture collections at its home fair. The new FORTE proposals included a variety of styles and colours - from shimmering white to decors with a distinctive, raw wood grain and visible annul growth rings. In addition to the presentation of new products, the fair was a unique chance to talk directly about cooperation with our customers or the company's strategy and development plans. The fair was visited by owners and sellers representing furniture stores in Poland, Lithuania, Latvia, Estonia, Slovakia, the Czech Republic, Serbia, Romania, Bulgaria and Spain.</li> </ul>
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## 2. A brief description of significant achievements or failures of the Issuer's Capital Group in the period covered by the half-yearly report, along with the related events.

Group performance and key economic and financial data:

Item	H1 2018 in PLN '000	H1 2017 in PLN '000	Change in PLN '000	% change
Sales revenue	553 542	536 578	16 964	3.2%
Cost of sales	(368 113)	(334 298)	33 815	10.1%
Gross profit on sales	185 429	202 280	(16 851)	(8.3%)
Gross margin on sales %	33.5%	37.7%		
Selling costs	(116 651)	(115 221)	1 430	1.2%
G&A costs	(28 761)	(26 278)	2 483	9.4%
Operating profit (EBIT)	39 146	57 981	(18 835)	(32.5%)
EBITDA	58 001	70 478	(12 477)	(17.7%)
Share in profit/loss of subsidiaries valued under the equity method	(4 136)	(3 390)	746	22.0%
Gross profit	15 554	56 602	(41 048)	(72.5%)
Net profit	7 604	45 654	(38 050)	(83.3%)
Net profit margin %	1.4%	8.5%		
Return on equity (ROE)	1.3%	7.3%		
Return on assets (ROA)	0.5%	3.5%		

• In H1 2018, the FORTE Group's **sales revenue** amounted to PLN 553 542 thousand, compared to PLN 536 578 thousand in the corresponding period of 2017 (an increase by 3.2%).

Export sales of the FORTE Group totalled PLN 460.4 million – 83.2% of total sales (in H1 2017 – PLN 464.1 million – 86.5%). Sales in the Polish market amounted to PLN 93.2 million (16.8%) against PLN 72.1 million (13.5%) in the corresponding period of 2017.

The percentage of sales in individual markets was as follows: German-speaking countries 56.6% (57.0% - H1 2017), Western and Northern Europe 17.4% (19.0% - H1 2017), Poland 16.8% (13.5% - H1 2017), Central, Southern and Eastern Europe 10.5% (10.5% - H1 2017).

• **Gross margin on sales** stood at the level of 33.5%, i.e. 4.2 percentage points lower than in the corresponding period of the previous year. The main reasons for a decrease in profitability are as follows:

- negative impact of an increase in prices of basic raw materials for production, in particular furniture boards,
- negative sales structure affecting the lack of dynamics of growth of sales and a lower total margin,
- increase in labour costs.

• **Selling costs** totalled PLN 116 651 thousand and slightly increased in terms of numbers compared to H1 2017, by PLN 1 430 thousand. However, the selling costs to revenue ratio decreased to 21.1% versus 21.5 % in H1 of the previous year.

• **G&A costs** amounted to PLN 28 761 thousand compared to PLN 26 278 thousand in the corresponding period of 2017. The G&A costs to revenue ratio stood at 5.2% versus 4.9% in the corresponding period. The increase in this category of costs results mainly from an increase in the costs of remuneration and the accumulation of expenses in H1 on the renewal of infrastructure.

• **Operating profit** amounted to PLN 39 146 thousand (7.1% of revenue), compared to PLN 57 981 thousand (10.8% of revenue) in the corresponding period of 2017.

• In the reporting period, the realised **net profit** totalled PLN 7 604 thousand (1.4% of revenue), compared to PLN 45 654 thousand in H1 of the previous year (8.5% of revenue).

Characteristics of balance sheet items	30.06.2018		31.12.2017		% change 2018/2017
	PLN `000	% of balance sheet total	PLN `000	% of balance sheet total	
Non-current assets	1 078 493	70%	1 044 191	70%	3.3%
Current assets	466 231	30%	437 845	30%	6.5%
<b>Total assets</b>	<b>1 544 724</b>	<b>100%</b>	<b>1 482 036</b>	<b>100%</b>	<b>4.2%</b>
Equity	600 987	39%	635 961	43%	(5.5%)
Non-current liabilities and provisions	78 347	5%	562 881	38%	(17.2%)
Current liabilities and provisions	865 390	56%	283 194	19%	41.2%
<b>Total liabilities</b>	<b>1 544 724</b>	<b>100%</b>	<b>1 482 036</b>	<b>100%</b>	<b>4.2%</b>

**Non-current assets** rose by PLN 34 302 thousand, primarily as a result of continued capital expenditure related to the launch of the chipboard factory.

**Current assets** rose by PLN 28 386 thousand.

The most significant increase in current assets was recorded for inventories – by PLN 52 550 thousand, whereas decrease was observed for cash (by PLN 19 666 thousand) and derivative receivables (by PLN 10 513 thousand).

On the **liabilities** side, a significant decrease in non-current liabilities results from the reclassification of bank loans as current liabilities. The reason for reclassification (under IAS 1 para 65) is the conclusion of annexes to loan agreements increasing the acceptable debt ratios after the balance sheet date, as well as extending the maturity of two working capital loan agreements to June 2019.

After the date of conclusion of annexes to loan agreements, reclassified loans will be again recognised in non-current liabilities – in accordance with the applicable repayment schedules.

The balance of used **bank loans** increased by PLN 93 701 thousand. This increase in the loan balance results from releasing further investment loan tranches by TANNE to finance expenditure related to the launch and equipment of the chipboard factory, as well as an increase in the EUR/PLN exchange rate applied to the balance sheet valuation of loans denominated in EUR at the end of the reporting period.

A significant increase was recorded for non-current deferred income (PLN 22 888 thousand) upon payment of the next instalment of a grant received by TANNE from the Ministry of Development.

### 3. Listing of shares of Fabryki Mebli „FORTE” S.A.

Shares of Fabryki Mebli „Forte” are listed on the Warsaw Stock Exchange in a continuous trading system.

Key data on FORTE shares:

Key data	H1 2018	H1 2017
Parent Company's net profit in PLN `000	6 642	39 959
Highest share price in PLN	57.70	86.00
Lowest share price in PLN	40,40	72.60
Share price at period end in PLN	47.35	82.35
P/E ratio at reporting period end	170.6	49.26
Number of outstanding shares (in items)	23 930 769	23 901 084
Average daily trading volume (in items)	31 939	12 390

### 4. The effects of changes to the structure of the business entity, including business entities merger, take over or sale of entities included in the Issuer's Capital Group, long-term investments, division, restructuring or discontinued operations.

On 18 January 2017, the Parent Company entered into a joint venture agreement with INDIAN FURNITURE PRODUCTS LIMITED ('IFPL') based in Chennai, India, an entity of the ADVENTZ Capital Group, concerning the production and sale of furniture in the Indian market. Part of the joint venture agreement was establishing an entity operating under the name FORTE FURNITURE PRODUCTS INDIA PVT. LTD ('FFPI') based in Chennai, India, in which each of the shareholders, i.e. FORTE and IFPL holds a 50% stake. The cash contribution made to the share capital of FFPI by each shareholder amounted to the equivalent of approx. EUR 2 million. The core activities of FFPI include the production and sale of furniture. FFPI's operations are based on the existing production facilities and a sales network in India, which were previously owned by IFPL, and the know-how, design, product development and production technology delivered by FORTE. FFPI started its operating activities in April 2017.

On 30 June 2017, FORTE FURNITURE PRODUCTS INDIA PVT. LTD was included in consolidation using the equity method. In the opinion of the Management Board, the Indian company should reach a positive level of profitability around mid-2018. The Parent Company's share in the loss generated by the Group in the reporting period ended 30 June 2018 amounted to (-) PLN 4 136 thousand.

**5. The position of the Management Board regarding the possibility of implementing previously published financial forecasts for a given year.**

The Parent Company did not publish financial forecasts for 2018.

**6. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the Issuer's Annual General Meeting as at the date of submitting the half-yearly report.**

No.	Shareholder	Number of votes held	% share in number of votes at AGM	% share in total number of votes
1.	MAFORM S.A.R.L.	7 763 889	32.44%	32.44%
2.	SKARBIEC Towarzystwo Funduszy Inwestycyjnych SA	2 149 448	8.98%	8.98%
3.	AVIVA OTWARTY FUNDUSZ EMERYTALNY AVIVA BZ WBK	2 116 000	8.84 %	8.84 %
4.	Nationale Nederlanden Otwarty Fundusz Emerytalny	1 740 000	7.27%	7.27%
5.	Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1 274 124	5.32%	5.32%

**7. Information on Issuer's shares or titles thereto, held by managing and supervising persons of the Issuer as at the date of submitting the half-yearly report.**

Managing and supervising persons of the Issuer		Number of shares with a nominal value of PLN 1 each
Mariusz Gazda	Member of the Management Board	4 700
Klaus Dieter Dahlem	Member of the Management Board	34 170
Zbigniew Sebastian	President of the Supervisory Board	300

**8. Information on material proceedings pending before a court, a competent arbitration authority or a public administration body.**

The Issuer is not a party to significant proceedings pending before a court, a competent arbitration authority or a public administration body regarding liabilities or claims of the issuer or its subsidiary.

**9. Information on one or more transactions concluded by the Issuer or its subsidiary with related entities.**

All transactions with related entities are carried out on arm's length terms used by the Issuer in relations with unrelated entities.

Detailed information on transactions concluded with related entities is included in note 25 of the consolidated financial statements prepared for the reporting period ended 30.06.2018.

**10. Information on loan sureties or guarantees granted by the Issuer or its subsidiary – to one entity or its subsidiary jointly, if the overall value of sureties or guarantees granted is significant.**

- On 28.06.2016, the Parent Company provided surety and agreed to pay all cash liabilities of its subsidiary DYSTRI-FORTE Sp. z o.o. arising from the loan agreement of 14.12.2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Parent Company agreed to satisfy any and all liabilities of the Borrower, including, in particular, full repayment of the principal amount of the loan, interest, commissions, fees and other costs, up to the amount of EUR 8 700 000 by 29.10.2024. As at 30.06.2018, the loan balance amounts to PLN 20 213 thousand.
- The Parent Company provided the following sureties:
  - ✓ for investment and trade liabilities of its subsidiary TANNE Sp. z o. o.:
    - to PAL SRL arising from an agreement for design, delivery, installation and launch of a part of the production line to manufacture chipboard. Total net value of the investment amounts to EUR 22 947 thousand. The balance of outstanding liabilities at the end of the reporting period is EUR 1 721 thousand;
    - to EWK Umwelttechnik GmbH arising from an agreement for comprehensive implementation of an investment task, including design and installation of an air cleaning system. Total net value of the agreement amounts to EUR 4 700 thousand. The liability expires at 31.12.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 470 thousand;
    - to Interprint Polska Sp. z o.o. – a surety for trade liabilities up to EUR 400 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 557 thousand;
    - to IMPRESS DECOR POLSKA Sp. z o.o. – a surety for trade liabilities up to PLN 110 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is PLN 0 thousand;
    - to Pfeiderer Polska Sp. z o.o. – a surety for trade liabilities up to PLN 13 000 thousand with the expiry date on 31.12.2018. The balance of outstanding liabilities at the end of the reporting period is PLN 8 103 thousand;
    - to Decor Druck Leipzig GmbH – a surety for trade liabilities up to PLN 320 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 119 thousand (PLN 513 thousand).
  - ✓ for loan liabilities of its subsidiary TANNE Sp. z o.o.:
    - a surety up to EUR 105 000 thousand, provided to PKO BP under Loan Agreement,
    - a surety up to EUR 105 000 thousand, provided to BGK under Loan Agreement,
    - a surety up to EUR 18 564 thousand, provided to PKO BP under Hedging Agreement,
    - a surety up to EUR 21 750 thousand, provided to BGK under Hedging Agreement.

**11. Other information which, in the opinion of the Issuer's Capital Group, is significant for the assessment of its personnel, property or financial situation, financial result and their changes, as well as information which is significant for the assessment of the ability to meet obligations by the Issuer's Capital Group.**

The FORTE Group's most important investment in the last 10 years, which is the construction of the chipboard factory has been completed. In April, the plant received all the necessary permits, and was put into continuous operation.

Due to the high level of the Group's debt, while sales dynamics and profitability as well as risks related to a failure to meet loan covenants have decreased, the Management Board of the Parent Company decided to postpone the construction of the fifth furniture factory.

At the same time, taking into account the current financial situation of the Group, i.e. a decline in sales dynamics and profitability, as well as a strengthening of the EUR/PLN exchange rate, the Management Board decided before the end of the reporting period to talk to Banks providing financing to the Group to increase debt ratios specified in loan agreements. Banks agreed to increase loan covenants, as requested by the Management Board. Appropriate annexes to loan agreements were concluded after the date of preparation of the financial statements. The Management Board does not see any threats related to the ability of the FORTE Group to meet its obligations.

**12. Factors which in the Issuer's opinion will affect the performance of the Issuer and its Capital Group in the perspective of at least the next quarter.**

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

- furniture market situation in Poland and in Europe,
- the ongoing process of exchanging low-margin furniture models for higher-margin models,
- availability of a cheaper chipboard from its own production,
- price stability of other raw materials used for furniture production,
- volatility of the EUR/PLN exchange rate.

**13. Description of basic threats and risks related to the remaining months of the financial year.**

The Management Board does not see any other threats or risks which could affect the performance of the FORTE Group in the remaining months of the financial year.

**14. Information on changes in the economic situation or operating conditions which affect the fair value of the Issuer's financial assets and financial liabilities.**

Did not occur.

**15. Information on non-repayment of a loan or on violation of significant provisions of a loan agreement, for which no remedial actions have been undertaken by the end of the reporting period.**

Not applicable.

**16. Exchange rates**

Individual items of assets and liabilities were translated at the average exchange rate announced by the National Bank of Poland as at 30 June 2018, 31 December 2017 and 30 June 2017, amounting to: PLN 4.3616; PLN 4.1709 and PLN 4.2265 per 1 EUR, respectively.

Individual items of profit and loss account and cash flow statement have been translated at the average exchange rate being the arithmetic average of the average exchange rates set by the National Bank of Poland on the last day of each month in the six months ended 30 June 2018 and 30 June 2017: PLN 4.2395 and PLN 4.2474 per EUR 1, respectively.

**17. Declaration of the Management Board regarding the entity authorised to audit financial statements of the Issuer and its Capital Group.**

The Management Board of Fabryki Mebli "FORTE" S.A. declares that the entity authorised to audit financial statements, which has audited the half-yearly condensed financial statements of the Issuer and the half-yearly consolidated financial statements of the Issuer's Capital Group for 2018, was selected in accordance with the applicable laws and that this entity fulfils the requirements to express an impartial and independent opinion on the audited financial statements, according to the applicable laws and professional standards.

**18. Declaration of the Management Board regarding the reliability of the financial statements of the Issuer and the consolidated financial statements of the Issuer's Capital Group.**

The Management Board of Fabryki Mebli "FORTE" S.A. declares that, to the best knowledge of the Management Board, the half-yearly condensed financial statements of the Issuer and the half-yearly condensed consolidated financial statements of the Issuer's Capital Group for 2018 as well as comparative data have been prepared in accordance with the applicable



accounting principles and they give a true, clear and fair view of assets, financial standing and financial result of the Issuer and its Capital Group.

In addition, the Management Board declares that the Management Board's half-yearly report on operations of the Capital Group gives a true picture of the Group's development, achievements and standing, including description of basic risks and threats.

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Maria Florczuk**

.....

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

.....

**Member of the Management Board  
Mariusz Gazda**

.....

**Member of the Management Board  
Andreas Disch**

.....

Ostrów Mazowiecka, 13 September 2018

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
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**INDEPENDENT AUDITOR'S REPORT  
ON REVIEW OF INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018**

To the Shareholders of Fabryki Mebli „FORTE” S.A.

*Introduction*

We have reviewed the accompanying condensed financial statements of Fabryki Mebli "FORTE" S.A. with its registered office in Ostrów Mazowiecka, ul. Biała 1 ("Entity") prepared as at 30 June 2018 ("Interim condensed financial statements"), which comprise:

- Interim condensed profit and loss account for the six months ended 30 June 2018,
- Interim condensed statement of comprehensive income for the six months ended 30 June 2018,
- Interim condensed statement of financial position (balance sheet) prepared as at 30 June 2018,
- Interim condensed cash flow statement for the six months ended 30 June 2018, and
- Interim condensed statement of changes in equity for the six months ended 30 June 2018,
- Accounting principles (policy) and selected explanatory notes.

Management of the Entity is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on these interim condensed financial statements, based on our review.

**This document is a translation.  
The Polish original should be referred to in matters of interpretation.**

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution dated 5 March 2018 of the National Council of Certified Auditors as the National Standard on Review 2410. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim condensed financial statements.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union, and in accordance with the adopted accounting principles (policy).

On behalf of audit firm  
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warszawa

.....  
Marta Zemka  
Key Certified Auditor  
Registration No. 10427  
Limited Partner, Attorney  
13 September 2018

**This document is a translation.  
The Polish original should be referred to in matters of interpretation.**



# **FABRYKI MEBLI „FORTE” S.A.**

**Interim Condensed Financial Statements  
for the six months ended 30.06.2018**

Prepared in accordance with  
International Financial Reporting Standards

FABRYKI MEBLI  
„FORTE” S.A.  
ul. Biała 1  
07-300 Ostrów Mazowiecka  
Polska  
[www.forte.com.pl](http://www.forte.com.pl)

Ostrów Mazowiecka, 13 September 2018

TABLE OF CONTENTS

SELECTED FINANCIAL DATA .....	3
Interim Condensed Profit and Loss Account.....	4
Interim Condensed Statement of Comprehensive Income .....	5
Interim Condensed Statement of Financial Position (Balance Sheet) .....	6
Interim Condensed Cash Flow Statement.....	7
Interim Condensed Statement of Changes in Equity.....	8
Statement of Changes in Equity.....	9
Interim Condensed Statement of Changes in Equity.....	10
Accounting principles (policy) and selected explanatory notes .....	11
1. General Information .....	11
2. Important Values Based on Professional Judgement and Estimates.....	13
Professional Judgement.....	13
Classification of Lease Agreements.....	13
Depreciation Rates .....	14
Scope of Consolidation and Assessment of Control .....	14
Uncertainty of Estimates.....	14
Impairment of Assets .....	14
Fair Value of Financial Assets .....	14
Valuation of Provisions .....	14
Deferred Tax Asset.....	14
3. Impact of the Adoption of IFRS 9 on the Company’s Financial Statements .....	14
Classification of Financial Instruments .....	14
Effects of the Adoption of IFRS 9 .....	15
4. Error Correction.....	15
5. Information on Operating Segments .....	15
6. Seasonality of Operations.....	15
7. Revenue and Costs .....	16
Sales Revenue .....	16
Other Operating Revenue .....	16
Other Operating Costs .....	16
Financial Revenue .....	17
Financial Costs.....	17
Costs by Type .....	17
8. Income Tax.....	18
9. Investments in Subsidiaries and Jointly Controlled Entities .....	18
10. Loans Granted.....	20
11. Prepayments .....	20
12. Tangible Fixed Assets .....	20
13. Intangible Assets.....	21
14. Cash and Cash Equivalents.....	21
15. Derivative Financial Instruments.....	21
16. Share Capital and Supplementary/Reserve Capital .....	21
17. Dividend Paid and Proposed .....	22
18. Earnings Per Share .....	23
19. Interest-bearing Bank Loans and Borrowings .....	23
20. Provisions .....	25
21. Financial Instruments .....	25
22. Hedge Accounting and Other Financial Instruments .....	28
23. Related Party Transactions.....	30
Transactions with Entities related by Capital Links .....	30
Information on Entities Bound by Personal Links .....	31

Other Transactions .....	31
24. Transactions with Participation of the Management Board, Key Management or Members of Their Immediate Families .....	33
25. Off-balance Sheet Items .....	34
26. Post Balance Sheet Events .....	35

**SELECTED FINANCIAL DATA**

<b>Data relating to separate financial statements</b>	<b>In thous. PLN</b>		<b>In thous. PLN</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
Net revenue from sales of products, goods, materials and services	557 461	536 610	131 492	126 338
Profit (loss) on operating activities	4 956	42 553	1 169	10 019
Pre-tax profit (loss)	11 164	47 946	2 633	11 288
Period profit (loss)	6 642	39 959	1 567	9 408
Net comprehensive income for the period	(34 118)	74 749	(8 048)	18 961
Net cash flow from operating activities	11 487	11 242	2 710	2 647
Net cash flow from investment activities	(15 954)	(23 656)	(3 763)	(5 570)
Net cash flow from financing activities	(1 556)	(29 880)	(367)	(7 035)
Net increase/decrease in cash and cash equivalents	(5 371)	(42 294)	(1 267)	(9 958)
Number of shares (in pcs)	23 930 769	23 901 084	23 930 769	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)	0.28	1.67	0.07	0.39
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
Total assets	888 563	901 017	203 724	216 025
Total liabilities	321 364	299 700	73 958	71 855
Long-term liabilities	32 387	130 107	7 425	31 194
Short-term liabilities	288 977	169 593	66 255	40 661
Equity capital	567 199	601 317	129 766	144 170
Share capital	23 931	23 931	5 487	5 738
Book value per share (in PLN/EUR)	23,65	25.13	5.42	6.02

## INTERIM CONDENSED PROFIT AND LOSS ACCOUNT

	For 6 months ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited converted)
<b>Continuing operations</b>		
Revenue from sales of goods, products and materials	553 071	533 545
Revenue from sales of services	4 390	3 065
<b>Sales revenue</b>	<b>557 461</b>	<b>536 610</b>
Cost of goods, products and materials sold	(395 987)	(333 090)
Cost of services sold	(1 794)	(1 564)
<b>Cost of sales</b>	<b>(397 781)</b>	<b>(334 654)</b>
<b>Gross profit (loss) on sales</b>	<b>159 680</b>	<b>201 956</b>
Other operating revenue	981	499
Selling costs	(130 310)	(132 065)
G&A costs	(23 122)	(24 405)
Other operating costs	(2 273)	(3 432)
<b>Profit (loss) on operating activities</b>	<b>4 956</b>	<b>42 553</b>
Financial revenue	7 905	8 184
Financial costs	(1 697)	(2 791)
<b>Pre-tax profit (loss)</b>	<b>11 164</b>	<b>47 946</b>
Income tax	(4 522)	(7 987)
<b>Period profit (loss) on continuing operations</b>	<b>6 642</b>	<b>39 959</b>
<b>Discontinued operations</b>	-	-
Period profit (loss) on discontinued operations	-	-
<b>Period profit (loss)</b>	<b>6 642</b>	<b>39 959</b>
Period profit (loss) per share:		
– basic	0.28	1.67
– diluted	0.28	1.67



**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	<b>30 June 2018</b> <b>(unaudited)</b>	<b>For 6 months ended</b> <b>30 June 2017</b> <b>(unaudited converted)</b>
<b>Period profit (loss)</b>	<b>6 642</b>	<b>39 959</b>
<b>Other net comprehensive income, incl.:</b>	<b>(40 760)</b>	<b>40 576</b>
<b>Items that may be reclassified to profit or loss in future periods</b>	<b>(40 760)</b>	<b>40 576</b>
Hedge accounting	(63 109)	46 824
Hedge costs	22 349	(6 248)
<b>Total comprehensive income for the period</b>	<b>(34 118)</b>	<b>80 535</b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	30.06.2018 (unaudited)	As at 31.12.2017 (audited converted)	01.01.2017 (converted)
<b>Non-current assets</b>	<b>486 122</b>	<b>518 281</b>	<b>467 719</b>
Tangible fixed assets	236 370	235 306	236 155
Perpetual usufruct of land	10 138	10 138	10 142
Intangible assets	1 319	1 330	968
Investments in subsidiaries and jointly controlled entities	162 974	162 974	154 394
Loans granted	75 214	74 988	60 946
Other long-term receivables	107	112	119
Receivables from derivative financial instruments	-	33 433	-
Deferred tax assets	-	-	4 995
<b>Current assets</b>	<b>402 441</b>	<b>382 736</b>	<b>374 778</b>
Inventory	164 788	145 932	143 247
Trade and other receivables	172 084	164 133	173 482
Receivables from derivative financial instruments	7 697	18 210	-
CIT receivables	10 335	6 398	-
Prepayments	2 301	3 028	2 497
Loans granted	17 923	12 351	2 960
Cash and cash equivalents	27 313	32 684	52 592
<b>TOTAL ASSETS</b>	<b>888 563</b>	<b>901 017</b>	<b>842 497</b>
<b>Total equity</b>	<b>567 199</b>	<b>601 317</b>	<b>492 905</b>
Share capital	23 931	23 931	23 901
Share premium	114 556	114 556	113 214
Cash flow hedging reserve	(15 080)	48 029	(9 291)
Hedge costs	16 151	(6 198)	(5 823)
Capital from merger	(1 073)	(1 073)	(1 073)
Incentive scheme	2 354	2 354	2 354
Other reserve capital	395 679	341 274	248 859
Retained earnings	30 681	78 444	120 764
<b>Long-term liabilities</b>	<b>32 387</b>	<b>130 107</b>	<b>170 862</b>
Interest-bearing bank loans and borrowings	16 423	115 315	152 808
Deferred income tax provision	5 405	11 195	-
Provision for post-employment benefits	3 296	3 296	3 283
Accruals	763	-	13
Liabilities under derivative financial instruments	6 375	-	13 916
Financial liabilities under lease	125	301	842
<b>Short-term liabilities</b>	<b>288 977</b>	<b>169 593</b>	<b>178 730</b>
Trade and other liabilities	173 645	159 020	152 839
Contractual liabilities	6 365	1 125	587
Income tax liability	-	-	10 176
Current part of interest-bearing bank loans and borrowings	105 741	6 051	6 729
Liabilities under derivative financial instruments	-	-	4 744
Provisions	2 742	2 722	2 579
Financial liabilities under lease	484	675	1 076
<b>Total liabilities</b>	<b>321 364</b>	<b>299 700</b>	<b>349 592</b>
<b>TOTAL LIABILITIES</b>	<b>888 563</b>	<b>901 017</b>	<b>842 497</b>

## INTERIM CONDENSED CASH FLOW STATEMENT

	For 6 months ended	
	30 June 2018 (unaudited)	30 June 2017 (converted unaudited)
<b>Cash flows from operating activities</b>		
<b>Period profit/(loss)</b>	<b>6 642</b>	<b>39 959</b>
<b>Adjustments by:</b>	<b>4 845</b>	<b>(28 717)</b>
Depreciation	11 445	11 224
Foreign exchange (gains)/losses	(4 039)	(3 336)
Net interest and dividends	802	(7 194)
(Profit)/loss on investment activities	32	67
Change in receivables	(7 947)	(3 663)
Change in inventory	(18 856)	(6 914)
Change in liabilities, excl. loans and borrowings	22 066	(9 451)
Change in prepayments and accruals	1 509	4 777
Change in provisions	3 770	(3 465)
Interest tax paid	(4 689)	(17 219)
Current tax recognised in the profit and loss account	752	6 457
Provision for retirement benefits	-	-
Other adjustments	-	-
<b>Net cash flows from operating activities</b>	<b>11 487</b>	<b>11 242</b>
<b>Cash flows from investment activities</b>		
Sale of tangible fixed assets and intangible assets	25	83
Purchase of tangible fixed assets and intangible assets	(14 756)	(6 328)
Purchase of financial assets	-	(8 583)
Dividends received	289	7 788
Interest received	488	429
Loans granted	(2 000)	(17 045)
Repayment of loans granted	-	-
<b>Net cash flows from investment activities</b>	<b>(15 954)</b>	<b>(23 656)</b>
<b>Cash flows from financing activities</b>		
Contributions to capital	-	-
Proceeds from loans/borrowings taken out	3 333	54 693
Repayment of loans/borrowings	(2 828)	(78 156)
Dividends paid	-	(4 780)
Interest paid	(1 696)	(972)
Repayment of liabilities under lease	(365)	(665)
<b>Net cash flows from financing activities</b>	<b>(1 556)</b>	<b>(29 880)</b>
<b>Total cash flows</b>	<b>(6 023)</b>	<b>(42 294)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5 371)</b>	<b>(42 381)</b>
Net exchange differences	(652)	87
<b>Opening balance of cash</b>	<b>32 684</b>	<b>52 593</b>
<b>Closing balance of cash, incl.:</b>	<b>27 313</b>	<b>10 212</b>
Restricted cash	763	-

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**for 6 months ended 30 June 2018**

	Share capital	Share premium	Retained earnings	Hedging instruments revaluation reserve	Hedge costs	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>78 444</b>	<b>48 029</b>	<b>(6 198)</b>	<b>341 274</b>	<b>(1 073)</b>	<b>2 354</b>	<b>601 317</b>
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2018 after adjustments</b>	<b>23 931</b>	<b>114 556</b>	<b>78 444</b>	<b>48 029</b>	<b>(6 198)</b>	<b>341 274</b>	<b>(1 073)</b>	<b>2 354</b>	<b>601 317</b>
Transfer of retained earnings to reserve capital	-	-	(54 405)	-	-	54 405	-	-	-
Dividend payment for 2017	-	-	-	-	-	-	-	-	-
Hedge costs in the reporting period	-	-	-	-	22 349	-	-	-	<b>22 349</b>
Hedge accounting	-	-	-	(63 109)	-	-	-	-	<b>(63 109)</b>
Current result	-	-	6 642	-	-	-	-	-	<b>6 642</b>
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>6 642</b>	<b>(63 109)</b>	<b>22 349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34 118)</b>
<b>As at 30 June 2018</b>	<b>23 931</b>	<b>114 556</b>	<b>30 681</b>	<b>(15 080)</b>	<b>16 151</b>	<b>395 679</b>	<b>(1 073)</b>	<b>2 354</b>	<b>567 199</b>

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

	Share capital	Share premium	Retained earnings	Hedging instruments revaluation reserve	Hedge costs	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>(9 291)</b>	<b>(5 823)</b>	<b>248 859</b>	<b>(1 073)</b>	<b>2 354</b>	<b>492 905</b>
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2017 after adjustments</b>	<b>23 901</b>	<b>113 214</b>	<b>120 764</b>	<b>(9 291)</b>	<b>(5 823)</b>	<b>248 859</b>	<b>(1 073)</b>	<b>2 354</b>	<b>492 905</b>
Transfer of retained earnings to reserve capital	-	-	(92 415)	-	-	92 415	-	-	-
Equity increase in connection with implementation of the incentive scheme	30	1 342	-	-	-	-	-	-	<b>1 372</b>
Dividend payment for 2016	-	-	(4 780)	-	-	-	-	-	<b>(4 780)</b>
Hedge costs in the reporting period	-	-	-	-	(375)	-	-	-	<b>(375)</b>
Hedge accounting	-	-	-	57 320	-	-	-	-	<b>57 320</b>
Current result	-	-	54 780	-	-	-	-	-	<b>54 780</b>
Provision for employee benefits	-	-	95	-	-	-	-	-	<b>95</b>
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>54 875</b>	<b>57 320</b>	<b>(375)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106 034</b>
<b>As at 31 December 2017</b>	<b>23 931</b>	<b>114 556</b>	<b>78 444</b>	<b>48 029</b>	<b>(6 198)</b>	<b>341 274</b>	<b>(1 073)</b>	<b>2 354</b>	<b>601 317</b>

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
for 6 months ended 30 June 2017 converted**

	Share capital	Share premium	Retained earnings	Hedging instruments revaluation reserve	Hedge costs	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>(9 291)</b>	<b>(5 823)</b>	<b>248 859</b>	<b>(1 073)</b>	<b>2 354</b>	<b>492 905</b>
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
<b>As at 1 January 2017 after adjustments</b>	<b>23 901</b>	<b>113 214</b>	<b>120 764</b>	<b>(9 291)</b>	<b>(5 823)</b>	<b>248 859</b>	<b>(1 073)</b>	<b>2 354</b>	<b>492 905</b>
Transfer of retained earnings to reserve capital	-	-	(92 415)	-	-	92 415	-	-	-
Dividend payment for 2016	-	-	(4 780)	-	-	-	-	-	( 4 780)
Hedge costs in the reporting period	-	-	-	-	(6 248)	-	-	-	(6 248)
Current result	-	-	39 959	-	-	-	-	-	39 959
Hedge accounting	-	-	-	46 824	-	-	-	-	46 824
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>39 959</b>	<b>46 824</b>	<b>(6 248)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80 535</b>
<b>As at 31 December 2017</b>	<b>23 901</b>	<b>113 214</b>	<b>63 528</b>	<b>37 533</b>	<b>(12 071)</b>	<b>341 274</b>	<b>(1 073)</b>	<b>2 354</b>	<b>568 660</b>

**ACCOUNTING PRINCIPLES (POLICY) AND SELECTED EXPLANATORY NOTES****1. GENERAL INFORMATION**

FABRYKI MEBLI "FORTE" S.A. was created as a result of the transformation of FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint stock company on 9 December 1994. Initially, i.e. from 17 June 1992, the Company conducted activities under the name "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 conducted activities under the name FABRYKI MEBLI "FORTE" Sp. z o. o.

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

The Company was assigned REGON statistical number: 550398784.

The duration of the Company is indefinite.

Main activities of the Company include:

- production of furniture;
- provision of services in the scope of marketing, promotion, organisation of exhibitions or conferences;
- conducting trading activities domestically and abroad;

The Company has its registered office in Ostrów Mazowiecka, at ul. Biała 1.

On 13 September 2018, the interim condensed financial statements of the Company for the six months ended 30 June 2018 were approved by the Management Board for publication.

The Company also prepared interim condensed consolidated financial statements for the six months ended 30 June 2018, which on 13 September 2018 were approved by the Management Board for publication.

**Composition of the Management Board as at 30.06.2018 and as at the date of publication of the financial 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

**Changes in the composition of the Management Board**

On 8 May 2018, Mr Gert Coopmann resigned from his position as a Member of the Management Board. His decision was due to personal reasons. Mr Coopmann will continue to cooperate with the Company, providing services to the subsidiary, i.e. Möbelvertrieb FORTE GmbH with its registered office in Erkelenz (Germany).

On 8 May 2018, the Supervisory Board appointed Mr Andreas Disch as a Member of the Management Board of Fabryki Mebli „FORTE” S.A. Andreas Disch is a qualified salesman, a graduate of the University of Saarbrücken and the Business School of Lyon. He holds a degree in Business Administration, majoring in International Management, Marketing and Retail. He has extensive sales experience in the cosmetics, tools and horticulture industry.

**Composition of the Supervisory Board as at 30.06.2018 and as at the date of publication of the financial statements:**

- Zbigniew Sebastian – Chairman
- Bernard Woźniak – Member
- Stanisław Krauz – Member
- Jerzy Smardzewski – Member
- Piotr Szczepiórkowski – Member
- Jacek Tucharz – Member

**Changes in the composition of the Supervisory Board**

On 21 June 2018, the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. resolved that its Supervisory Board consist of six members and appointed the above-mentioned persons for a new term of office.

**Company's investments**

The Company holds investments in the following subsidiaries:

Subsidiaries	Registered office	Scope of activity	Percentage share of the Company in equity	
			30.06.2018	31.12.2017
MV FORTE GmbH	Erkelenz (Germany)	Authorised seller	100%	100%
FORTE MÖBEL AG	Baar (Switzerland)	Authorised seller	99%	99%
FORTE BALDAI UAB	Vilnius (Lithuania)	Authorised seller	100%	100%
FORTE SK S.r.o	Bratislava (Slovakia)	Authorised seller	100%	100%
FORTE FURNITURE Ltd.	Preston Lancashire (United Kingdom)	Authorised seller	100%	100%
FORTE IBERIA S.I.u.	Valencia (Spain)	Authorised seller	100%	100%
FORTE MOBILIER SARL	Lyon (France)	Authorised seller	100%	100%
KWADRAT Sp. z o.o.	Bydgoszcz	Real property rentals and management	81%	81%
<i>*GALERIA KWADRAT Sp. z o.o.</i>	<i>Bydgoszcz</i>	<i>Real property management</i>	<i>81%</i>	<i>81%</i>
TM HANDEL Sp. z o.o.	Warsaw	Operations and management consulting	100%	100%
TM HANDEL Sp. z o.o. S.K.A.	Ostrów Mazowiecka	Real property purchase, sale and management; operations and management consulting	100%	100%
<i>**FORT INVESTMENT Sp. z o.o.</i>	<i>Ostrów Mazowiecka</i>	<i>Real property purchase, sale and management; operations and management consulting</i>	<i>100%</i>	<i>100%</i>
TANNE Sp. z o.o.***	Ostrów Mazowiecka	Manufacturing operations	100%	100%
DYSTRY-FORTE Sp. z o.o.****	Ostrów Mazowiecka	Warehousing and storage	100%	100%
FORTE BRAND Sp. z o.o.*****	Ostrów Mazowiecka	Lease of intellectual property, real property rentals and management	100%	100%
FORESTIVO Sp. z o.o.	Suwałki	Trade in raw materials for chipboard production	50%	50%
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	Chennai (India)	Furniture manufacture and sales	50%	50%
ANTWERP FP SP. Z O.O.	Warsaw	Furniture sales agents	100%	100%

\* indirectly related company – a 100% subsidiary of KWADRAT SP. Z O.O.

\*\* indirectly related company – a 100% subsidiary of TM HANDEL SP. Z O.O. SKA

\*\*\* change of registered office to Ostrów Mazowiecka as of 13.03.2018

\*\*\*\* change of registered office to Ostrów Mazowiecka as of 02.02.2018

\*\*\*\*\* change of business name from Terceira Sp. z o.o. to FORTE-BRAND Sp. z o.o. and change of registered office to Ostrów Mazowiecką as of 15.02.2018

**Changes made to the Company's investments during the reporting period**

On 17.04.2018, ANTWERP Sp. z o.o. w likwidacji was removed from the National Court Register.



**Basis for preparation**

These interim condensed financial statements of the Company ("Interim condensed separate financial statements") have been prepared in accordance with the International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the EU, published and binding at the time of preparing these interim condensed separate financial statements of the Company.

The unaudited interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for 2017 prepared in accordance with International Financial Reporting Standards.

The interim financial result should not be treated as a determinant of the financial result for the entire financial year.

In the interim separate financial statements, costs which are irregularly incurred in the financial year are recognised or deferred, only if the above costs should be recognised or should be deferred at the end of a given financial year.

These interim condensed separate financial statements have been prepared in the Polish currency and in thousands of zlotys.

**Changes to the applied accounting principles / method of presentation of data in the financial statements**

When preparing the condensed interim separate financial statements, the same general principles and significant values based on judgments and estimates used for preparation of the annual consolidated financial statements for the period ended 31 December 2017, which were published on 5 April 2018, have been applied, except for the following amendments to standards effective for annual periods beginning on 1 January 2018.

*IFRS 9 Financial Instruments*

The new standard was published on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018.

The purpose of the standard is to organise the classification of financial assets and to introduce uniform principles of approach to the assessment of impairment for all financial instruments.

The standard introduces the following categories of financial assets:

- measured at amortised cost
- measured at fair value through profit or loss
- measured at fair value through other comprehensive income

The classification is made at the moment of initial recognition and depends on the financial instruments management model adopted by the Company and the contractual cash flows from these instruments.

IFRS 9 introduces a new model to determine impairment losses. This model is based on expected credit losses.

In the area of hedge accounting, the changes were aimed at a better adjustment of hedge accounting to the risk management model.

The main areas of impact of the implementation of IFRS 9 are presented in note 2.

*IFRS 15 Revenue from Contracts with Customers*

The new unified standard was published on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018.

The standard establishes a uniform framework for revenue recognition and contains the principles that replace most detailed guidelines for revenue recognition, currently existing under IFRS, in particular, IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations. The Company has applied the new standard since 1 January 2018, however an analysis of revenue sources made by the Company has shown that the introduction of changes in connection with the application of IFRS 15 will not have a material impact on the Company's financial result, statement of financial position or the equity. The Company recognises sales revenue when the risks and benefits resulting from the concluded contracts are transferred to the customer.

**2. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES****PROFESSIONAL JUDGEMENT**

When applying the accounting principles (policy) to the issues set out below, the professional judgment of the management was of greatest significance, apart from the accounting estimates.

**CLASSIFICATION OF LEASE AGREEMENTS**

The Group classifies lease agreements as either operating or finance lease, based on the assessment of the extent to which the benefits and risks of ownership are transferred to the lessor and the lessee. The assessment is based on the economic content of each transaction.

**DEPRECIATION RATES**

Depreciation rates are determined based on the anticipated economic useful lives of tangible fixed assets and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

**SCOPE OF CONSOLIDATION AND ASSESSMENT OF CONTROL**

When assessing control over an entity in which the investment was made, the Management Board of the Parent Company takes into account all facts and circumstances, including the exercise of power over a given entity, exposure to variable returns or rights to variable returns due to its involvement in a given entity, the possibility of using its power to shape the level of generated returns, as well as relations with other entities. In the opinion of the Management Board, all significant controlled entities have been included in these consolidated financial statements.

**UNCERTAINTY OF ESTIMATES**

The key assumptions about the future and other major sources of estimation uncertainty at the balance sheet date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

**IMPAIRMENT OF ASSETS**

The Group carried out an analysis of the impairment of inventory. The results of inventory valuation are presented in note 13 to the consolidated financial statements.

**FAIR VALUE OF FINANCIAL ASSETS**

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of individual financial instruments are presented in notes 18 and 25.

**VALUATION OF PROVISIONS**

Provisions for employee benefits are determined using actuarial valuations. The Group updates its provisions once a year.

**DEFERRED TAX ASSET**

The Group recognises a deferred tax asset based on the assumption that it will generate a future tax profit against which the asset can be utilised. Deterioration of tax results in the future might make this assumption unjustified.

**3. IMPACT OF THE ADOPTION OF IFRS 9 ON THE COMPANY'S FINANCIAL STATEMENTS****CLASSIFICATION OF FINANCIAL INSTRUMENTS**

Starting on 1 January 2018, the Company has classified financial instruments in accordance with the adopted business model as follows:

- **Measured at amortised cost**  
These are debt instruments held to collect contractual cash flows, which only include repayments of the capital and interest (meet the SPPI test). This category includes financial assets that meet the SPPI test, such as: loans granted, trade receivables, cash, bank loans and trade liabilities.
- **Measured at fair value through profit or loss**  
This category includes all instruments that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income. This category includes, in particular, financial instruments that do not meet the SPPI test. Gains or losses resulting from the valuation of such assets are recognised in profit or loss in the period in which they arose.
- **Measured at fair value through other comprehensive income**  
The Company chose to value its equity instruments in the form of investment certificates at fair value through other comprehensive income. In this situation, changes in fair value are not reclassified as financial result and once these investments are derecognised, they will not be included in the financial result. This category includes financial instruments in the form of options under hedge accounting and investment certificates.
- **Valuation of hedging instruments**  
By valuation of hedging instruments in accordance with the assumptions under IFRS9, the Company verifies the existence of a link between the hedging instrument and the hedged item at each reporting date and performs the valuation by identifying the intrinsic and time value. The effects of such valuation are recognised in other comprehensive income.

**EFFECTS OF THE ADOPTION OF IFRS 9**

For the Company, the most important item are financial instruments measured at amortised cost, including impairment losses. Trade receivables with a maturity of less than 12 months from the date of its occurrence and not forwarded to factoring are not discounted and are measured at face value. For the needs of an analysis of expected credit losses, the Company made a portfolio analysis and applied a simplified matrix of impairment losses in individual maturity ranges. The analysis was based on historical data, taking into account the non-fulfilment rates, which were then adjusted for future expected events. The Company, guided by the principle of materiality, decided not to introduce the above adjustment.

In addition, as of 1 January 2018, the Company has applied a new standard in the area of hedge accounting.

In the reporting period ended 31 December 2017, in accordance with IAS 39, the Company recognised in the profit and loss account under "profit (loss) on derivative financial instruments" the time value of option strategies in the amount of PLN (-) 7 652 thousand and deferred tax of PLN 1 454 thousand.

In accordance with IFRS 9, as at 1 January 2018, both intrinsic value and time value of hedging options under hedge accounting were recognised in the Company's equity. The Company disclosed in its statement of comprehensive income the effect of reversing the time value of options from the end of 2017 in the amount of PLN 6 198 thousand.

In the reporting period ended 30 June 2018, the time value of hedging options amounting to PLN (19 939) thousand and the time value of options amounting to PLN 18 617 thousand was recognised in the Company's equity.

**4. ERROR CORRECTION**

In the reporting period ended 31.12.2017, the Company corrected a fundamental error for 2016 by adjusting the hedge accounting valuation to the requirements of IAS 39.

By assessing option strategies in 2016, the Company did not separate intrinsic value and time value of currency options. The Company revalued its portfolio of hedging instruments by separating intrinsic value and time value of options. Time value of options active as at 31 December 2016 amounted to PLN (-) 7 189 thousand and pursuant to IAS 39, it was recognised in the profit and loss account under "loss on derivative financial instruments" and an amount of PLN 1 366 thousand under "deferred tax". Intrinsic value of options amounted to PLN (-) 11 471 thousand and net of deferred tax in the amount of PLN 2 179 thousand, it was recognised in the statement of financial position under "hedging instruments revaluation reserve".

In connection with the adoption of the amended IFRS 9 by the Company starting from 1 January 2018, the above mentioned error regarding the presentation of the valuation of hedging instruments has been reclassified to equity and recognised under "hedge costs".

As at 30 June 2018, the Company recognised intrinsic value and time value of currency options under "hedging instruments revaluation reserve" and "hedge costs" in the statement of comprehensive income, in accordance with the requirements of IFRS 9.

In order to adjust the presentation of its financial data to the requirements of IAS 1, the Company also changed the presentation of some of the accrued expenses that were previously recognised under provisions and accruals of the statement of financial position to trade and other liabilities.

**5. INFORMATION ON OPERATING SEGMENTS**

As of 1 January 2009, new IFRS 8 "Operating segments" has been applied. Pursuant to the requirements of this standard, operating segments are to be identified on the basis of internal reports on the components of the Company that are regularly reviewed by persons deciding on the allocation of resources to the given segment and assessing its financial results.

The Management Board conducted a detailed analysis of possibilities and legitimacy of separating operating segments based on IFRS 8. Internal analysis and reports for Company's management purposes are based on the geographical areas of its sales. Basically, there is a person assigned to each line of sales, who is directly responsible for the execution of sales plans and financial results.

Due to the fact that there is no possibility to obtain separate financial information that would be subject to disclosure for each direction of sales, the Management Board decided not to separate operating segments under IFRS 8.

**6. SEASONALITY OF OPERATIONS**

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

The value of sales revenue achieved in individual reporting periods is as follows:

	Domestic	% share in total quarter sales	Export	% share in total quarter sales	Revenue from sales of products, goods, materials and services	% share in annual sales
Q1 2018 (unaudited)	45 487	15%	259 342	85%	304 829	
Q2 2018 (unaudited)	51 510	20%	201 122	80%	252 632	
<b>Total 2018</b>	<b>96 997</b>		<b>460 464</b>		<b>557 461</b>	
Q1 2017 (unaudited)	36 762	13%	257 132	87%	293 894	25%
Q2 2017 (unaudited)	36 045	15%	206 347	85%	242 392	21%
Q3 2017 (unaudited)	73 391	25%	223 219	75%	296 610	26%
Q4 2017 (unaudited)	78 666	24%	248 563	76%	327 229	28%
<b>Total 2017</b>	<b>224 864</b>	<b>19%</b>	<b>935 261</b>	<b>81%</b>	<b>1 160 125</b>	<b>100%</b>

## 7. REVENUE AND COSTS

### SALES REVENUE

Sales revenue	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2018 (unaudited)
Revenue from sales of products, goods and materials:		
- products	529 881	525 342
- goods	4 520	3 636
- materials	18 670	4 567
Revenue from sales of services:	4 390	3 065
<b>Total net sales revenue</b>	<b>557 461</b>	<b>536 610</b>
- incl. from related entities	38 429	22 541

The Company offers its products to customers using various INCOTERMS. Transport costs incurred by the Company related to delivery of products to customers are included in the price of the product. In the reporting period, the value of transport costs included in the sales revenue amounted to PLN 44 033 thousand (in the comparative period as at 30 June 2017: PLN 43 447 thousand).

### Information on key customers

The largest customers for Company's products are Steinhoff International based in South Africa and Roller GmbH based in Germany. The share in turnover with Roller GmbH and Steinhoff Group exceeded 10% of Forte's sales revenue. The companies are not related entities under IAS 24.

### OTHER OPERATING REVENUE

Other operating revenue	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2018 (unaudited)
Reversal of allowances	314	53
Grants	406	12
Donations and compensations	210	261
Other	51	173
<b>Total other operating revenue</b>	<b>981</b>	<b>499</b>

### OTHER OPERATING COSTS

<b>Other operating costs</b>	<b>For the reporting period ended</b>	
	<b>30.06.2018</b>	<b>30.06.2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Creation of allowances	326	-
Liquidation and impairment losses on tangible fixed assets	34	2
Loss on sales of tangible fixed assets	-	38
Scrapping of inventory	1 102	1 493
Donations	521	308
Penalties and compensations	186	1 408
Court fees	8	2
Other	96	181
<b>Total other operating costs</b>	<b>2 273</b>	<b>3 432</b>

**FINANCIAL REVENUE**

<b>Financial revenue</b>	<b>For the reporting period ended</b>	
	<b>30.06.2018</b>	<b>30.06.2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Dividends	289	7 788
Interest	613	396
Surplus of foreign exchange gains over losses	7 003	-
<b>Total financial revenue</b>	<b>7 905</b>	<b>8 184</b>

**FINANCIAL COSTS**

<b>Financial costs</b>	<b>For the reporting period ended</b>	
	<b>30.06.2018</b>	<b>30.06.2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on loans and leases	1 574	972
Commissions on loans	123	3
Surplus of foreign exchange losses over gains	-	1 789
Other	-	27
<b>Total financial costs</b>	<b>1 697</b>	<b>2 791</b>

**COSTS BY TYPE**

Costs by type	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2018 (unaudited)
Depreciation	11 445	11 224
Consumption of materials and energy	305 263	258 347
Third-party services	122 757	113 365
Taxes and fees	4 235	4 148
Payroll	74 740	72 504
Social insurance and other benefits	17 715	20 619
License fees	10 598	10 500
Other costs by type	6 382	6 562
<b>Total costs by type</b>	<b>553 135</b>	<b>497 269</b>
Change in product inventory and accruals	(24 782)	(11 442)
Own cost of invoiced services	1 486	1 077
Manufacturing cost of products for internal purposes	(1 008)	(1 461)
Selling costs	(130 310)	(132 065)
G&A costs	(23 122)	(24 405)
<b>Manufacturing cost of products and services sold</b>	<b>375 399</b>	<b>328 973</b>
<b>Value of goods and materials sold</b>	<b>22 382</b>	<b>5 681</b>
<b>Cost of sales</b>	<b>397 781</b>	<b>334 654</b>

#### Information on key suppliers

A strategic supplier of the Company's raw materials is its subsidiary TANNE, whose share of turnover exceeded 10% of the Company's sales revenue.

#### 8. INCOME TAX

Income tax	For the reporting period ended	
	30.06.2018 (unaudited)	30.06.2018 (unaudited)
<b>Current income tax</b>		
Current charge due to income tax	752	6 472
Adjustments related to current income tax from previous years	-	(15)
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	3 770	1 530
<b>Tax charge recognised in the profit and loss account</b>	<b>4 522</b>	<b>7 987</b>

The Company is currently being inspected with respect to corporate income tax for the years 2015-2017. As at the date of publication of these financial statements, the audit has not been completed.

#### 9. INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

	As at	
	30.06.2018 (unaudited)	31.12.2017 (unaudited)
Stocks/shares in subsidiaries	162 971	162 971
Other stocks and shares	3	3
	<b>162 974</b>	<b>162 974</b>

**Stocks/shares in subsidiaries and jointly controlled entities as at 30 June 2018 and 31 December 2017:**

Company name	Type of relationship	Date of taking over the control/ significant influence/ shares	Value of stocks/shares at acquisition price	Revaluation adjustments	Carrying amount of stocks/shares
MV FORTE GmbH	Subsidiary	14.08.1992	1 838	-	1 838
FORTE BALDAI UAB	Subsidiary	16.04.1999	164	-	164
FORTE MÖBEL AG	Subsidiary	02.03.1999	352	-	352
FORTE SK S.r.o	Subsidiary	13.12.2002	96	-	96
FORTE FURNITURE Ltd.	Subsidiary	10.08.2005	6	-	6
FORTE IBERIA S.l.u.	Subsidiary	15.09.2005	279	-	279
FORTE MOBILIER SARL	Subsidiary	17.11.2005	399	(399)	-
KWADRAT Sp. z o.o.	Subsidiary	18.12.2008	6 514	-	6 514
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TANNE Sp. z o.o.	Subsidiary	26.02.2015	90 005	-	90 005
DYSTRI-FORTE Sp. z o.o.	Subsidiary	13.02.2015	4 000	-	4 000
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	(5)	-
TERCEIRA Sp. z o.o./ Forte Brand Sp. z o.o.	Subsidiary	26.07.2016	50 981	-	50 981
FORESTIVO Sp. z o.o.	Jointly-controlled entity	15.03.2016	101	-	101
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	Jointly-controlled entity	18.01.2017	8 580	-	8 580
ANTWERP FP SP. z o.o.	Subsidiary	11.07.2017	5	-	5
<b>TOTAL</b>			<b>163 375</b>	<b>(404)</b>	<b>162 971</b>

**Stocks and shares held by the Company in other entities are as follows:**

As at 30 June 2018 and 31 December 2017:

Company name	Registered office	Core business	Carrying amount of stocks/shares
Meblopol Sp. z o.o.	Poznań	Sales	3
<b>Total</b>			<b>3</b>

**Financial assets pledged as collateral**

The Company established the following registered pledges on shares of TANNE Sp. z o.o.:

- first priority pledge for PKO BP. S.A. and BGK up to the maximum collateral amount of EUR 210 000 thousand as collateral for all obligations under the loan agreement of 17 October 2016,
- second priority pledge for PKO BP. S.A. and BGK up to the maximum collateral amount of EUR 40 314 thousand as collateral for all obligations under hedging agreements of 17 October 2016.

**10. LOANS GRANTED**

Non-current assets	As at	
	30.06.2018 (unaudited)	31.12.2017
Loans granted to related entities	71 814	71 588
Loans granted to other entities	3 400	3 400
	<b>75 214</b>	<b>74 988</b>
Current assets		
Loans granted to related entities	17 557	12 102
Interest on loans granted to related entities	345	228
Interest on loans granted to other entities	21	21
	<b>17 923</b>	<b>12 351</b>
<b>Total</b>	<b>93 137</b>	<b>87 339</b>

For details of loans granted to related entities, refer to note 21 of explanatory notes.

**11. PREPAYMENTS**

Prepayments	As at	
	30.06.2018 (unaudited)	31.12.2017
Property and motor insurance	388	1 042
Perpetual usufruct	440	185
Trade fair	-	-
Settlement of project costs	1 092	1 229
Business trips	29	24
Licences	36	109
Other	316	439
	<b>2 301</b>	<b>3 028</b>

**12. TANGIBLE FIXED ASSETS**

The carrying amount of machinery and equipment used by the Company as at 30 June 2018 under finance lease agreements and hire purchase agreements is PLN 1 447 thousand (as at 31 December 2017: PLN 1 888 thousand), of which PLN 276 thousand relates to the lease of machinery and equipment and PLN 1 171 thousand - to the lease of means of transport.

**Assets pledged as collateral**

Land and buildings with a carrying amount of PLN 102 169 thousand (as at 31 December 2017: PLN 85 718 thousand) are covered by mortgages established to secure bank loans.

Additionally, machinery and equipment with a carrying amount of PLN 57 229 thousand are subject to registered pledge (as at 31 December 2017: PLN 59 614 thousand).

In the reporting period ended 30 June 2018, there were no capitalised borrowing costs (as at 31 December 2017: none).

**Investment liabilities**

As at 30 June 2018, the Company's investment liabilities amounted to PLN 1 010 thousand (as at 31 December 2017: 3 210 thousand).

**Purchase and sale**

In the 6 months ended 30 June 2018, the Company purchased fixed assets of PLN 12 230 thousand (in the comparative period ended 30 June 2017: PLN 6 258 thousand) and sold fixed assets with a net value of PLN 23 thousand (in the comparative period ended 30 June 2017: PLN 64 thousand).

The most significant investments made by the Company in the reporting period include expenditure incurred for the construction of a kindergarten at the factory in Suwałki and expenditure incurred for the purchase of robots for all factories of the Company.



**13. INTANGIBLE ASSETS****Expenditure on development**

In the reporting period ended 30 June 2018, the Company recognised an amount of PLN 325 thousand for development expenditure (in the comparative period ended 31 December 2017: PLN 507 thousand).

**Expenditure on research**

In the reporting period ended 30 June 2018, the Company recognised in its profit and loss account an amount of PLN 1 181 thousand for research expenditure on innovative technological projects (in the comparative period ended: 31 December 2017 – PLN 1 111 thousand).

**14. CASH AND CASH EQUIVALENTS**

For the purposes of the interim condensed cash flow statement, cash and cash equivalents include the following items:

Cash and cash equivalents	As at	
	30.06.2018 (unaudited)	31.12.2017
Cash at bank and in hand	27 313	32 684
Other cash (overnight deposits and deposits under three months, corporate bonds)	-	-
Cash at bank and in hand assigned to discontinued operations	-	-
<b>Total cash and cash equivalents</b>	<b>27 313</b>	<b>32 684</b>

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits. Short-term deposits are made for various periods, from one day to three months, depending on the Company's current demand for cash and bear interest at negotiated interest rates. The fair value of cash and cash equivalents as at 30 June 2018 is PLN 27 313 thousand (31 December 2017: PLN 32 684 thousand).

As at 30 June 2018, the Company has restricted cash of PLN 763 thousand (31 December 2017: none).

**15. DERIVATIVE FINANCIAL INSTRUMENTS**

Fair value of derivative financial instruments (zero-cost option strategies)	As at	
	30.06.2018 (unaudited)	31.12.2017
Long-term receivables from derivative financial instruments	-	33 433
Short-term receivables from derivative financial instruments	7 697	18 210
Long-term liabilities under derivative financial instruments	6 375	-
Short-term liabilities under derivative financial instruments	-	-
	<b>1 322</b>	<b>51 643</b>

A detailed description of derivatives is included in note 20 of explanatory notes.

**16. SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL****Share capital**

In the reporting period ended 30 June 2018, there were no changes in the Company's share capital.

**Share premium**

During the 6 months ended 30 June 2018, there were no events resulting in a change in the share premium.

**Other supplementary and reserve capital**

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2018	1 250	340 024	341 274
Deduction from profit for investments and financing the Company's current operations	-	54 405	54 405
<b>As at 30 June 2018 (unaudited)</b>	<b>1 250</b>	<b>394 429</b>	<b>395 679</b>

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2017	1 250	247 609	248 859
Deduction from profit for investments and financing the Company's current operations	-	92 415	92 415
<b>As at 31 December 2017</b>	<b>1 250</b>	<b>340 024</b>	<b>341 274</b>

**Cash flow hedging reserve**

	As at 30.06.2018 (unaudited)	31.12.2017
Result on financial instruments hedging cash flows at the beginning of the reporting period	48 029	(9 291)
Changes in equity in the reporting period	(69 083)	80 679
Amount transferred to profit and loss account due to conclusion of hedge transactions	(7 375)	(2 725)
Deferred income tax	13 349	(14 811)
Result on financial instruments hedging cash flows at the end of the reporting period	<b>(15 080)</b>	<b>48 029</b>

**Hedge costs**

	As at 30.06.2018 (unaudited)	31.12.2017
Hedge costs at the beginning of the reporting period	(6 198)	(5 823)
Hedge costs recognised in equity in the reporting period	26 137	(1 829)
Deferred income tax	(3 788)	1 454
Hedge costs at the end of the reporting period	<b>16 151</b>	<b>(6 198)</b>

**17. DIVIDEND PAID AND PROPOSED**

Pursuant to a resolution of the Annual General Meeting of Fabryki Mebli "FORTE SA" of 21 June 2018, a decision was made to allocate the Company's full net profit for the year 2017 in the amount of PLN 54 405 thousand to reserve capital.

Pursuant to a resolution of the Annual General Meeting of Fabryki Mebli „FORTE SA” of 17 May 2017, a decision was made to distribute the Company's net profit for the financial year 2016 in the amount of PLN 97 195 thousand, by allocating PLN 4 780 thousand for dividend payment and PLN 92 415 thousand to reserve capital. Dividend was paid on 9 June 2017 and amounted to PLN 0.20 per share.

**18. EARNINGS PER SHARE**

The number of shares used to calculate the profit(loss) ratio per share is disclosed in note 23 of the interim consolidated financial statements.

**19. INTEREST-BEARING BANK LOANS AND BORROWINGS**

Short-term	Nominal interest rate %	Repayment date	30.06.2018	31.12.2017
PKO BP S.A. – investment loan of EUR 3 500 thousand	1M EURIBOR	by 22.12.2018	2 308	3 744
mBank S.A. – investment loan of EUR 2 400 thousand	1M EURIBOR	by 31.12.2018	1 104	2 307
PKO BP S.A.– revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR / 1M EURIBOR	by 09.06.2019	45 161	-
ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR / 1M EURIBOR / 1M LIBOR	by 30.06.2019	57 168	-
<b>Total short-term</b>			<b>105 741</b>	<b>6 051</b>

Long-term	Nominal interest rate %	Repayment date	30.06.2018	31.12.2017
PKO BP S.A.– revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR / 1M EURIBOR	by 09.06.2019	-	44 764
ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	depending on the currency used 1M WIBOR / 1M EURIBOR /1M LIBOR	by 30.06.2019	-	54 717
mBank S.A. – revolving loan of EUR 5 000 thousand	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 12.12.2019	16 423	15 834
			<b>16 423</b>	<b>115 315</b>

Loan collaterals		30 June 2018	
PKO BP S.A. – investment loan of EUR 3 500 thousand	1.	Registered pledge on purchased movable property of not less than EUR 5 130 thousand	
	2.	Assignment of rights from insurance policy	
	3.	Blank promissory note with a promissory note declaration, issued by the Borrower	
mBank S.A. – investment loan of EUR 2 400 thousand	1.	Registered pledge on purchased machinery and equipment up to the maximum collateral amount of EUR 3 600 thousand	
	2.	Assignment of rights from insurance policy	
PKO BP S.A. – revolving loan of PLN 100 000 thousand	1.	Joint contractual capped mortgage up to PLN 120 000 thousand established on the perpetual usufruct right to the Issuer's developed properties and buildings located thereon that constitute objects of property separated from land, located in Hajnówka and Ostrów Mazowiecka	
	2.	Blank promissory note with a promissory note declaration, assignment of rights from insurance contracts pertaining to real property on which mortgage was established	
	3.	Registered pledge on inventories of items specified as to their kind, located in the Branch in Hajnówka	
ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	1.	Registered pledge on movable property of the factory in Suwałki and Ostrów Mazowiecka up to the maximum collateral amount of PLN 120 000 thousand	
	2.	Joint capped mortgage up to PLN 54 000 thousand established on the perpetual usufruct of land and the ownership right to buildings of the factory in Suwałki, along with the assignment of rights from insurance policy	
	3.	Registered pledge on inventories with a minimum value of PLN 65 000 in the factory in Suwałki and Ostrów Mazowiecka up to the maximum collateral amount of PLN 120 000	
	4.	Assignment of rights from insurance policy	
mBank S.A. – revolving loan of EUR 5 000 thousand	1.	Blank promissory note with a promissory note declaration, issued by the Borrower	
	2.	Registered pledge on fixed assets up to the maximum collateral amount of EUR 6 000 thousand	

In view of the current financial situation of the Group, i.e. a decline in sales dynamics and profitability, as well as a strengthening of the EUR/PLN exchange rate, the Management Board decided before the end of the reporting period to talk to Banks providing financing to the Company to increase debt ratios specified in loan agreements. Banks agreed to increase loan covenants, as requested by the Management Board. Annexes to loan agreements were concluded by the Company after the balance sheet date. Detailed information on the annexes is included in the note regarding post balance sheet events.

#### Breakdown of loans by currency (translated into PLN, in '000 PLN)

Currency	As at 30.06.2018 (unaudited)	31.12.2017
PLN	116 189	115 315
EUR	3 412	6 051
USD	2 562	-
	<b>122 163</b>	<b>121 366</b>

During the 6 months ended 30 June 2018, the Company incurred loans amounting to PLN 3 333 thousand and repaid loans totalling PLN 2 828 thousand.

## 20. PROVISIONS

	30.06.2018	As at 31.12.2017
<b>Long-term accrued/deferred income due to:</b>		
Grant for the construction of R&D Centre	763	-
<b>Short-term provisions:</b>		
Short-term provision for post-employment benefits	426	426
Provision for warranty repairs	2 314	2 283
<b>Accrued/deferred income due to:</b>		
Subsidy for fixed assets purchased	2	13
	<b>3 505</b>	<b>2 722</b>

In the reporting period, the Company received an advance grant from the Ministry of Investment and Development under the "Support for investment in R&D infrastructure of enterprises" project. The grant was recognised under long-term deferred income.

In July 2018, the Management Board of the Company decided to change the scope of the project to create a Research and Development Centre and applied to the Ministry of Investment and Development for the possibility of changing the contract for co-financing the project. The advance payment received in July 2018 was returned to the bank account of the Ministry of Investment and Development.

The Company creates a provision for the costs of expected warranty repairs and returns of products sold during the last year based on the level of warranty repairs and returns recorded in previous years. It is expected that the vast majority of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranty repairs and returns are based on current sales levels and currently available information about returns and 1-year guarantee and warranty period for all sold products.

Changes in provisions were as follows:

Provision	01.01.2018	Use	Reversal	Increase	30.06.2018
Warranty repairs	2 283	-	-	31	2 314

## 21. FINANCIAL INSTRUMENTS

In the period covered by this report, the Company complied with the new provisions of IFRS 9. A description of changes introduced to the financial statements in connection with the above is included in note 2.

**Carrying amount**

<b>Classification of financial instruments according to IFRS 9 as at 30 June 2018</b>						
	Financial assets available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Hedging instruments	<b>Total</b>
<b>Non-current financial assets:</b>	<b>3</b>	<b>75 214</b>	-	-	-	<b>75 217</b>
Financial assets	3	75 214	-	-	-	75 217
Receivables from derivatives	-	-	-	-	-	-
<b>Current financial assets:</b>	-	<b>154 264</b>	-	-	<b>7 697</b>	<b>161 961</b>
Trade and other receivables	-	109 028	-	-	-	109 028
Receivables from derivatives	-	-	-	-	7 697	-
Cash and cash equivalents	-	27 313	-	-	-	27 313
Other financial assets	-	17 923	-	-	-	17 923
<b>Long-term financial liabilities:</b>	-	-	-	<b>(16 423)</b>	<b>(6 375)</b>	<b>(22 798)</b>
Interest-bearing loans and borrowings	-	-	-	(16 423)	-	(16 423)
Liabilities under derivatives	-	-	-	-	(6 375)	(6 375)
<b>Short-term financial liabilities:</b>	-	-	-	<b>(265 299)</b>	-	<b>(265 299)</b>
Trade and other liabilities	-	-	-	(159 558)	-	(159 558)
Current part of bank loans and borrowings	-	-	-	(105 741)	-	(105 741)
Liabilities under derivatives	-	-	-	-	-	-
	<b>3</b>	<b>229 478</b>	<b>-</b>	<b>(281 722)</b>	<b>1 322</b>	<b>(50 919)</b>

Classification of financial instruments according to IAS 39 as at 31 December 2017							
	Financial assets available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Hedging instruments	Financial assets excluded from the scope of IAS 39	Total
<b>Non-current financial assets:</b>	<b>3</b>	<b>74 988</b>	-	-	<b>33 433</b>	-	<b>108 424</b>
Financial assets	3	74 988	-	-	-	-	74 991
Receivables from derivatives	-	-	-	-	33 433	-	<b>33 433</b>
<b>Current financial assets:</b>	-	<b>171 632</b>	-	-	<b>18 210</b>	-	<b>189 842</b>
Trade and other receivables	-	126 597	-	-	-	-	126 597
Receivables from derivatives	-	-	-	-	18 210	-	18 210
Cash and cash equivalents	-	32 684	-	-	-	-	32 684
Other financial assets	-	12 351	-	-	-	-	12 351
<b>Long-term financial liabilities:</b>	-	-	-	<b>(115 315)</b>	-	<b>(301)</b>	<b>(115 616)</b>
Interest-bearing loans and borrowings	-	-	-	(115 315)	-	-	(115 315)
Financial liabilities under lease	-	-	-	-	-	(301)	(301)
<b>Short-term financial liabilities:</b>	-	-	-	<b>(147 907)</b>	-	<b>(675)</b>	<b>(148 582)</b>
Trade and other liabilities	-	-	-	(141 856)	-	-	(141 856)
Current part of bank loans and borrowings	-	-	-	(6 051)	-	-	(6 051)
Financial liabilities under lease	-	-	-	-	-	(675)	(675)
	<b>3</b>	<b>246 620</b>	-	<b>(263 222)</b>	<b>51 643</b>	<b>(976)</b>	<b>34 068</b>

**Fair value**

The carrying amount of financial instruments does not significantly deviate from their fair value.

The Company does not compare carrying values and fair values of these classes of financial instruments that are classified as short-term receivables or liabilities.

Stocks and shares included in the category of financial assets available for sale refer to unlisted entities, for which it is impossible to reliably determine their fair value by alternative methods and are valued at purchase price less impairment losses.

**Fair value hierarchy**

Financial instruments measured at fair value are disclosed in the following note only.

	As at 30.06.2018		As at 31.12.2017	
	Level 2	Level 3	Level 2	Level 3
Financial assets	-	3	-	3
Receivables from derivatives	7 697	-	51 643	-
Liabilities under derivatives	6 375	-	-	-
	<b>1 322</b>	<b>3</b>	<b>51 643</b>	<b>3</b>

**Methods of determining the fair value of financial instruments.****Level 1**

In the reporting period ended 30 June 2018, the Company had no financial instruments measured at fair value classified as level 1 (as at 31 December 2017: none).

**Level 2**

Receivables or liabilities under derivatives are classified by the Company as level 2. Both changes in intrinsic value and time value are recognised in other comprehensive income. The Company recognises the fair value of financial instruments that meet the hedge accounting criteria based on bank valuations.

**Level 3**

Shares held in unlisted companies for which it is not possible to reliably determine their fair value are classified as level 3. For these companies, there are no active markets or comparable transactions with the use of the same instruments. In the statement of financial position, these shares are valued at purchase price less impairment losses.

In the reporting period, there was no reclassification or shifting of financial instruments between different levels (in the comparative period: none).

**22. HEDGE ACCOUNTING AND OTHER FINANCIAL INSTRUMENTS**

Value of foreign exchange contracts recognised under hedging instruments revaluation reserve

The hedging instruments revaluation reserve includes:

- valuation of financial instruments hedging cash flows in the amount of: PLN 1 322 thousand
- deferred tax liability for hedging instruments: PLN (251) thousand

**Cash flow hedge accounting**

As at 30 June 2018, the fair value of foreign exchange contracts which meet the criteria for hedge accounting amounted to PLN 1 322 thousand.

The table below contains aggregate data on fair values and settlement dates, as well as aggregate information on the amount (volume) being the basis for future payments and the price of performance of effective forward contracts. The dates of settlements are convergent with the dates in which the amounts charged to the revaluation reserve in respect of these transactions will be recognised in the profit and loss account.



Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Forward rate	Bank name	Fair value
EUR	18 000	Put Option	10.2015	07.2017-09.2018	4.3000	PKO BP S.A.	187
EUR	18 000	Call Option	10.2015	07.2017-09.2018	4.6300	PKO BP S.A.	(78)
EUR	12 000	Put Option	11.2015	10.2018-11.2018	4,3000	PKO BP S.A.	276
EUR	12 000	Call Option	11.2015	10.2018-11.2018	4.7070	PKO BP S.A.	(130)
EUR	24 000	Put Option	04.2016	01-03.2019	4.3500-4.4000	PKO BP S.A.	1 372
EUR	24 000	Call Option	04.2016	01-03.2019	4.8500-4.9250	PKO BP S.A.	(339)
EUR	23 000	Put Option	08.2016	07-08.2019	4.4000	PKO BP S.A.	1 389
EUR	23 000	Call Option	08.2016	07-08.2019	4.8650	PKO BP S.A.	(416)
EUR	16 000	Put Option	10.2016	10.2019	4.4500	PKO BP S.A.	1 641
EUR	16 000	Call Option	10.2016	10.2019	4.8850	PKO BP S.A.	(704)
EUR	16 000	Put Option	11.2016	11.2019	4.5000	PKO BP S.A.	2 050
EUR	16 000	Call Option	11.2016	11.2019	5.1400	PKO BP S.A.	(428)
EUR	42 000	Put Option	07.2017	12.2019-05.2020	4.3500	PKO BP S.A.	2 771
EUR	42 000	Call Option	07.2017	12.2019-05.2020	4.7300	PKO BP S.A.	(3 751)
EUR	52 000	Put Option	05.2018	09.2020-04.2021	4.4000	PKO BP S.A.	4 628
EUR	52 000	Call Option	05.2018	09.2020-04.2021	4.7580	PKO BP S.A.	(7 833)
EUR	20 000	Put Option	06.2018	05-06.2021	4.4000	PKO BP S.A.	1 817
EUR	20 000	Call Option	06.2018	05-06.2021	4.9405	PKO BP S.A.	(2 684)
<b>Total</b>						<b>PKO BP S.A.</b>	<b>(232)</b>
EUR	11 000	Put Option	12.2015	08-11.2018	4.3500	mBank S.A.	381
EUR	11 000	Call Option	12.2015	08-11.2018	4.6700	mBank S.A.	(96)
EUR	5 000	Put Option	05.2016	01-04.2019	4.4500	mBank S.A.	506
EUR	5 000	Call Option	05.2016	01-04.2019	4.9250	mBank S.A.	(73)
EUR	14 000	Put Option	10.2016	09.2019	4.4000	mBank S.A.	1 153
EUR	14 000	Call Option	10.2016	09.2019	4.9075	mBank S.A.	(530)
EUR	37 000	Put Option	08.2017	01-06.2020	4,4000	mBank S.A.	3 161
EUR	37 000	Call Option	08.2017	01-06.2020	4.7110	mBank S.A.	(3 741)
EUR	39 000	Put Option	09.2017	06-09.2020	4.4500	mBank S.A.	4 035
EUR	39 000	Call Option	09.2017	06-09.2020	4.8165	mBank S.A.	(4 042)
EUR	47 000	Put Option	04.2018	10.2020-04.2021	4.3500	mBank S.A.	3 358
EUR	47 000	Call Option	04.2018	10.2020-04.2021	4.6710	mBank S.A.	(8 249)
<b>Total</b>						<b>mBank S.A.</b>	<b>(4 137)</b>

EUR	20 000	Put Option	01.2016	07.2018-12.2018	4.4500	ING Bank Śląski S.A.	1 974
EUR	20 000	Call Option	01.2016	07.2018-12.2018	4.7800	ING Bank Śląski S.A.	(119)
EUR	15 000	Put Option	04.2016	01-03.2019	4.4000	ING Bank Śląski S.A.	1 145
EUR	15 000	Call Option	04.2016	01-03.2019	4.8950	ING Bank Śląski S.A.	(150)
EUR	10 000	Put Option	05.2016	04.2019	4.4500	ING Bank Śląski S.A.	1 051
EUR	10 000	Call Option	05.2016	04.2019	4.9600	ING Bank Śląski S.A.	(127)
EUR	22 000	Put Option	06.2016	05-06.2019	4.4500	ING Bank Śląski S.A.	2 342
EUR	22 000	Call Option	06.2016	05-06.2019	4.9300	ING Bank Śląski S.A.	(425)
<b>Total</b>						<b>ING Bank Śląski S.A.</b>	<b>5 691</b>

### 23. RELATED PARTY TRANSACTIONS

#### TRANSACTIONS WITH ENTITIES RELATED BY CAPITAL LINKS

Total amounts of transactions concluded with subsidiaries and jointly controlled entities are presented in the table below. These transactions relate to sales of products, goods and services and to purchases of services.

Related entity		Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
MV FORTE GmbH	30.06.2018(unaudited)	112	9 478	85	2 761
	31.12.2017(audited)	1 453	19 108	1 311	1 440
FORTE MÖBEL AG	30.06.2018(unaudited)	16 797	2 019	1 720	471
	31.12.2017(audited)	36 198	3 424	5 743	223
FORTE BALDAI UAB	30.06.2018(unaudited)	-	89	-	15
	31.12.2017(audited)	-	178	-	15
FORTE SK S.r.o.	30.06.2018(unaudited)	2	559	-	96
	31.12.2017(audited)	-	1 121	-	92
FORTE FURNITURE Ltd.	30.06.2018(unaudited)	-	188	-	32
	31.12.2017(audited)	-	757	-	61
FORTE IBERIA S.l.u	30.06.2018(unaudited)	3	890	-	153
	31.12.2017(audited)	-	1 581	-	129
FORTE MOBILIER S.a.r.l.	30.06.2018(unaudited)	-	-	-	-
	31.12.2017(audited)	-	-	-	-
TM HANDEL Sp. z o.o.	30.06.2018(unaudited)	363	147	-	107
	31.12.2017(audited)	11	359	98	37
TM HANDEL Sp. z o.o. S.K.A	30.06.2018(unaudited)	-	-	-	-
	31.12.2017(audited)	1	-	-	-
FORT INVESTMENT Sp. z o.o.	30.06.2018(unaudited)	1	-	-	-
	31.12.2017(audited)	1	-	-	-

	30.06.2018(unaudited)	771	12 124	318	3 273
DYSTRI-FORTE Sp. z o.o.	31.12.2017(audited)	1 745	23 525	528	4 346
	30.06.2018(unaudited)	1 088	11 104	1 005	2 113
Forte Brand Sp. z o.o.	31.12.2017(audited)	2 269	22 537	623	2 120
	30.06.2018(unaudited)	15 465	108 030	935	36 264
TANNE Sp. z o.o.	31.12.2017(audited)	63 584	73 017	2 017	19 721
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	30.06.2018(unaudited)	1 127	-	2 411	-
	31.12.2017(audited)	1 194	-	1 176	-
ANTWERP FP SP. Z O.O.	30.06.2018(unaudited)	2 700	52	1 320	27
	31.12.2017(audited)	1 141	17	1 382	21
<b>Total</b>	<b>30.06.2018(unaudited)</b>	<b>38 429</b>	<b>144 680</b>	<b>7 794</b>	<b>45 312</b>
	<b>31.12.2017 (audited)</b>	<b>107 597</b>	<b>145 624</b>	<b>12 878</b>	<b>28 205</b>

Transactions with related entities relate to sales of products, goods and services, and to purchases of services.

#### INFORMATION ON ENTITIES BOUND BY PERSONAL LINKS

MaForm SARL Luxemburg holds a 32.44% stake in the share capital of Fabryki Mebli „FORTE” S.A.

MaForm Holding Luxemburg SARL holds a 100% stake in the share capital of MaForm SARL Luxemburg.

MaForm Holding AG holds a 90.34% stake in the share capital of MaForm Holding Luxemburg SARL. The remaining 9.66% stake in the share capital of MaForm Holding Luxemburg 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. together with his wife have a 100% stake in MaForm Holding AG.

#### OTHER TRANSACTIONS

##### Loans and borrowings granted to related entities

In the reporting period ended 30 June 2018, the Company entered into the following loan agreements with related entities:

- on 2 January 2018, an annex to the loan agreement with the subsidiary Forte Mobilier SARL, pursuant to which the loan amount was increased to EUR 40 000, the loan will be repaid in 8 equal instalments from 31 March 2019;
- on 28 February 2018, an annex to the loan agreement with the subsidiary Moebelvertrieb Forte GmbH, pursuant to which the loan will be repaid in 17 equal instalments from 30 June 2018;
- on 30 March 2018, an annex to the loan agreement with the subsidiary FORT INVESTMENT Sp. z o.o., pursuant to which the loan will be repaid in 8 equal instalments from 31 March 2019;
- on 29 June 2018, an annex to the loan agreement with the subsidiary Galeria Kwadrat Sp. z o.o., pursuant to which the loan amount was increased by PLN 200 000 and its repayment period was extended until June 2020;
- on 29 June 2018, an annex to the loan agreement with the subsidiary TM Handel Sp. z o.o. SKA, pursuant to which the loan amount was increased to PLN 30 000 and the repayment period was extended until June 2019.
- on 29 June 2018, an annex to the loan agreement with the subsidiary Forte Brand Sp. z o.o. SKA, pursuant to which the loan will be repaid in in 6 instalments from June 2020

Loans bear interest at a variable interest rate of 1M EURIBOR / 3M EURIBOR / 3M WIBOR plus margin on market terms.

The balance of loans granted as at 30 June 2018 is presented in the table below:

Related entity	Loan amount in '000	Loan currency	Loan balance as at 30.06.2018 in PLN '000 (unaudited)	Interest due as at 30.06.2018 (unaudited)
KWADRAT Sp. z o. o.	439	EUR	1 421	4
GALERIA KWADRAT Sp. z o.o.	1 254	PLN	1 020	6
FORT INVESTMENT Sp. z o. o.	5 000	PLN	660	4
DYSTRI- FORTE Sp. z o.o.	700	EUR	3 053	8
FORTE MOBILIER S.a.r.l.	40	EUR	131	-
TANNE Sp. z o.o.	20 000	EUR	57 573	145
TM- HANDEL Sp. z o.o. S.K.A.	20	PLN	20	-
FORTE BRAND Sp. z o.o.	3 500	PLN	3 500	22
MV FORTE GmbH	3 400	EUR	14 829	37
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	1 642	EUR	7 163	120
<b>Total:</b>			<b>89 370</b>	<b>346</b>

**Including:**

**Short-term part:**

KWADRAT Sp. z o. o.	355
GALERIA KWADRAT Sp. z o.o.	340
FORT INVESTMENT Sp. z o. o.	165
FORTE MOBILIER S.a.r.l.	33
ANTWERP Sp. z o. o	-
TM- HANDEL Sp. z o.o. S.K.A.	20
MV FORTE GmbH	4 362
TANNE Sp. z o.o.	11 515
DYSTRI-FORTE Sp. z o.o.	768
<b>Total:</b>	<b>17 558</b>

**Long-term part:**

KWADRAT Sp. z o. o.	1 065
GALERIA KWADRAT Sp. z o.o.	680
FORT INVESTMENT Sp. z o.o.	495
DYSTRI-FORTE Sp. z o.o.	2 285
FORTE MOBILIER S.a.r.l.	98
FORTE BRAND Sp. z o.o.	3 500
TANNE Sp. z o.o.	46 058
FORTE FURNITURE PRODUCTS INDIA PVT. LTD	7 163
MV FORTE GmbH	10 468
<b>Total:</b>	<b>71 812</b>

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

Related entity	Loan amount in '000	Loan currency	Repayment date	Loan balance as at 31.12.2017 in PLN '000	Interest due as at 31.12.2017
KWADRAT Sp. z o. o.	439	EUR	July 2021	1 358	4
GALERIA KWADRAT Sp. z o.o.	1 254	PLN	June 2023	1 020	6
FORT INVESTMENT Sp. z o.o.	5 000	PLN	December 2019	660	4
DYSTRI-FORTE Sp. z o.o.	700	EUR	-	2 920	8
FORTE MOBILIER S.a.r.l.	40	EUR	December 2019	125	-
TANNE Sp. z o.o.	20 000	EUR	June 2023	55 056	154
TM- HANDEL Sp. z o.o. S.K.A.	20	PLN	June 2018	20	-

MV FORTE GmbH	3 400	EUR	March 2020	14 181	36
TERCEIRA Sp. z o.o.	3 000	PLN	-	1 000	7
TERCEIRA Sp. z o.o.	500	PLN	December 2020	500	2
FORTE FURNITURE PRODUCTS INDIA Ltd	1 642	EUR	March 2022	6 850	7
<b>Total:</b>				<b>83 690</b>	<b>228</b>
<b>Including:</b>					
<b>Short-term part:</b>					
KWADRAT Sp. z o. o.				340	4
GALERIA KWADRAT Sp. z o.o.				170	6
FORT INVESTMENT Sp. z o.o.				330	4
DYSTRI-FORTE Sp. z o.o.				947	8
FORTE MOBILIER S.a.r.l.				62	-
TANNE Sp. z o.o.				5 506	154
TM- HANDEL Sp. z o. S.K.A.				20	-
MV FORTE GmbH				4 727	36
TERCEIRA Sp. z o.o.				-	7
TERCEIRA Sp. z o.o.				-	2
FORTE FURNITURE PRODUCTS INDIA Ltd				-	7
<b>Total:</b>				<b>12 102</b>	<b>228</b>
<b>Long-term part:</b>					
KWADRAT Sp. z o. o.				1 018	
GALERIA KWADRAT Sp. z o.o.				850	
FORT INVESTMENT Sp. z o.o.				330	
DYSTRI-FORTE Sp. z o.o.				1 973	
FORTE MOBILIER S.a.r.l.				63	
TANNE Sp. z o.o.				49 550	
TM- HANDEL Sp. z o.o. S.K.A.				9 454	
MV FORTE GmbH				1 000	
TERCEIRA Sp. z o.o.				500	
FORTE FURNITURE PRODUCTS INDIA Ltd				6 850	
<b>Total:</b>				<b>71 588</b>	

#### 24. TRANSACTIONS WITH PARTICIPATION OF THE MANAGEMENT BOARD, KEY MANAGEMENT OR MEMBERS OF THEIR IMMEDIATE FAMILIES

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

On 10 June 2014, the Annual General Meeting of FABRYKI MEBLI "FORTE" SA approved the introduction of an incentive scheme for Members of the Company's Management Board (the "Incentive Scheme").

The purpose of the Incentive Scheme is to strive to develop the Company's Capital Group and its subsidiaries (the "Capital Group") by creating incentive mechanisms for persons responsible for management, which would refer to financial results of the Capital Group and an increase in the value of Company's shares.

The issue price of the Company H series shares was determined by the resolution of the Supervisory Board of 27 October 2014 for the amount of 46.19. Each Warrant entitles to take up one series H share at an issue price.

The rights from Warrants may be exercised not earlier than one year after the formal decision to take them up and no later than on 30 November 2018.

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

	Series	Number of warrants	Weighted average exercise prices
<b>Outstanding as at 01.01.2018, incl.:</b>		<b>207 795</b>	
	D	89 055	46,19
	F	118 740	46,19
<b>Change during the reporting period</b>			
Exercised in 2018		-	
<b>Outstanding as at 30.06.2018, incl.:</b>		<b>207 795</b>	
Exercisable as at 30.06.2018	D	89 055	46,19
	F	118 740	46,19

#### Participation of senior management in employee shares scheme

No employee shares schemes were in operation in the reporting period.

#### 25. OFF-BALANCE SHEET ITEMS

- On 28 June 2016, the Company provided surety and agreed to pay all cash liabilities of its 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 Company agreed to satisfy any and all liabilities of the Borrower, including, in particular, full repayment of the principal amount of the loan, interest, commissions, fees and other costs, up to the amount of EUR 8 700 000 by 29 October 2024. As at 30 June 2018, the loan balance amounts to PLN 20 213 thousand
- The Company provided the following collaterals for investment and trade liabilities of its subsidiary TANNE Sp. z o.o.:
  - to PAL SRL arising from an agreement for design, delivery, installation and launch of a part of the production line to manufacture chipboard. Total net value of the investment amounts to EUR 22 947 thousand. Investment project completion is planned for May 2018. The balance of outstanding liabilities at the end of the reporting period is EUR 1 721 thousand;
  - to EWK Umwelttechnik GmbH arising from an agreement for comprehensive implementation of an investment task, including design and installation of an air cleaning system. Total net value of the agreement amounts to EUR 4 700 thousand. The liability expires at 31.12.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 470 thousand;
  - to Interprint Polska Sp. z o.o. – a surety for trade liabilities up to EUR 400 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is EUR 557 thousand;
  - to IMPRESS DECOR POLSKA Sp. z o.o. – a surety for trade liabilities up to PLN 110 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is PLN 0 thousand;
  - to Pfeiderer Polska Sp. z o.o. – a surety for trade liabilities up to PLN 13 000 thousand with the expiry date on 31.12.2018. The balance of outstanding liabilities at the end of the reporting period is PLN 8 103 thousand;
  - to Decor Druck Leipzig GmbH – a surety for trade liabilities up to PLN 320 thousand with the expiry date on 30.06.2019. The balance of outstanding liabilities at the end of the reporting period is PLN 513 thousand.
- Collaterals for loan facilities granted to the subsidiary TANNE Sp. z o.o.:
  - a surety up to the amount of EUR 105 000 thousand for TANNE’s liabilities to PKO BP arising from the Loan Agreement;
  - a surety up to the amount of EUR 105 000 thousand for TANNE’s liabilities to BGK arising from the Loan Agreement;
  - a surety up to the amount of EUR 18 564 thousand for TANNE’s liabilities to PKO BP arising from the Hedging Agreement;
  - a surety up to the amount of EUR 21 750 thousand for TANNE’s liabilities to BGK arising from the Hedging Agreement.

Hypothetical cost to be borne by the Company in connection with granted sureties is equal to the balance of unpaid loans along with interest and commissions as well as the balance of unpaid investment and trade liabilities. Since both DYSTRI-FORTE Sp. z o.o. and TANNE Sp. z o.o. carry out operating activities exclusively for FORTE SA, which provides them with a stable cash flow, the materialisation of the risk of non-repayment of contingent liabilities is estimated by the Company as unlikely.

## 26. POST BALANCE SHEET EVENTS

On 31 August, the District Court for the capital city of Warsaw registered changes to the Company's Articles of Association based on the resolution adopted by the Company's AGM on 21 June 2018, involving an increase in the Company's share capital up to PLN 23 990 769.

On 2 July 2018, the Company announced that despite the expiry of a letter of intent at the end of June 2018, it will continue negotiations with the HOMAG Group regarding the conclusion of a contract for design, manufacture and supply of production line equipment for its new furniture factory in Suwałki. The Management Board of Fabryki Mebli FORTE S.A. decided to postpone the investment until 2019. The reason for this decision is, first of all, to keep the current state of liabilities at a safe level.

On 12 July 2018, the Company received from Powszechnie Towarzystwo Emerytalne PZU S.A. based in Warsaw, a notification regarding the purchase of 80 000 shares and exceeding the threshold of 5% of the total number of votes in the Company.

On 10 September, an annex was signed to the loan agreement for the amount of PLN 100 000 thousand with the bank PKO BP S.A., changing net debt ratios.

On 12 September 2018, the Company signed an annex to the loan agreement for the amount of PLN 100 000 thousand with ING Bank Śląski S.A., changing net debt ratios.

### Signature of the person in charge of bookkeeping

**Anna Wilczyńska**

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### Signatures of Members of the Management Board:

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Maria Florczuk**

.....

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

.....

**Member of the Management Board  
Mariusz Gazda**

.....

**Member of the Management Board  
Andreas Disch**

.....

Ostrów Mazowiecka, 13 September 2018