

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 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. Statement of compliance	15
9. Changes in the applied accounting principles and data presentation in the financial statements	15
9.1. Changes in the applied accounting principles.....	15
9.2. Impact of the adoption of ifrs 9 on the Group’s financial statements.....	16
9.3. Error correction	16
10. Foreign currency translation.....	17
11. Seasonality of operations.....	17
12. Revenue and costs	17
Sales revenue	17
Other operating revenue.....	18
Other operating costs	18
Financial revenue	18
Financial costs	19
Costs by type.....	19
13. Information on operating segments.....	19
14. Changes in estimates	19
Prepayments and provisions	19
Provisions	20
Balance sheet allowances	20
Allowances for receivables	20
Allowances for inventories	20
15. Income tax	21

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

16. Tangible fixed assets	21
17. Investment property.....	21
18. Intangible assets.....	22
Expenditure on research and development	22
Description of collaterals established on intangible assets	22
Intangible assets with an indefinite useful life	22
Intangible assets held for sale.....	23
19. Financial instruments.....	24
Fair value hierarchy	26
20. Financial assets.....	27
21. Cash and cash equivalents.....	27
22. Share capital and supplementary/reserve capital.....	28
Share capital.....	28
Share premium	28
Other capital.....	28
Cash flow hedging reserve.....	28
Hedge costs.....	29
23. Dividend paid and proposed.....	29
24. Earnings per share	29
25. Interest-bearing bank loans	29
26. Financial instruments.....	34
27. Hedge accounting and other financial instruments.....	34
28. Related party transactions	36
Commercial transactions.....	36
Loans and borrowings granted to related entities	37
Joint venture in which the parent company is a venturer	39
Terms and conditions of transactions with related entities	39
Information on entities bound by personal links	39
Transactions with participation of the Management Board, key management or members of their immediate families.....	39
29. Off-balance sheet items.....	39
30. Post balance sheet events	40
31. Financial Statements of Fabryki Mebli FORTE SA	41
Profit and loss account	41
Statement of comprehensive income	42
Statement of financial position (balance sheet)	43
Cash flow statement.....	44
Statement of changes in equity for the 9 months ended 30 September 2018	45
statement of changes in equity for the year ended 31 December 2017 (converted).....	46
Statement of changes in equity for the 9 months ended 30 September 2017 (converted).....	47

SELECTED FINANCIAL DATA

Data regarding the consolidated financial statements	30.09.2018 in thous. PLN	30.09.2017 in thous. PLN	30.09.2018 in thous. EUR	30.09.2017 in thous. EUR
Net revenue from sales of products, goods, materials and services	809 838	804 004	190 393	188 884
Profit (loss) on operating activities	53 545	80 630	12 588	18 942
Pre-tax profit (loss)	31 042	72 245	7 298	16 972
Period profit (loss) attributable to shareholders of Parent Company	22 479	56 889	5 285	13 365
Net comprehensive income for the period	782	82 291	184	19 333
Net cash flow from operating activities	49 254	24 392	11 580	5 730
Net cash flow from investment activities	(163 402)	(205 119)	(38 416)	(48 188)
Net cash flow from financing activities	155 829	129 033	36 635	30 314
Net increase/decrease in cash and cash equivalents	41 681	(51 694)	9 799	(12 144)
Number of shares (in units)	23 930 769	23 930 769	23 930 769	23 930 769
Profit (loss) per ordinary share attributable to shareholders of Parent Company (in PLN/EUR)	0.94	2.38	0.22	0.56
	30.09.2018 in thous. PLN	31.12.2017 in thous. PLN	30.09.2018 in thous. EUR	31.12.2017 in thous. EUR
Total assets	1 617 555	1 482 035	347 694	355 327
Total liabilities	980 814	846 075	229 624	202 852
Long-term liabilities	507 420	562 881	118 795	134 954
Short-term liabilities	473 394	283 194	110 829	67 898
Equity capital (attributable to shareholders of Parent Company)	633 440	632 649	148 298	151 682
Share capital	23 931	23 931	23 931	5 738
Book value per share (in PLN/EUR)	26.47	26.44	6.20	6.34

Data regarding the separate financial statements	30.09.2018 in thous. PLN	30.06.2017 in thous. PLN	30.09.2018 in thous. EUR	30.06.2017 in thous. EUR
Net revenue from sales of products, goods, materials and services	809 079	833 247	190 215	195 754
Profit (loss) on operating activities	1 504	56 522	354	13 279
Pre-tax profit (loss)	3 972	53 821	934	14 993
Period profit (loss)	(185)	52 624	(43)	12 363
Net comprehensive income for the period	(20 372)	80 238	(4 789)	18 850
Net cash flow from operating activities	22 842	803	5 370	189
Net cash flow from investment activities	(59 286)	(37 474)	(13 938)	(8 804)
Net cash flow from financing activities	49 255	5 809	11 580	1 365
Net increase/decrease in cash and cash equivalents	12 811	(30 862)	3 012	(7 250)
Number of shares (in units)	23 930 769	23 930 769	23 930 769	23 930 769
Dividend declared or paid per share (in PLN/EUR)	-	0.20	-	0.05
Profit (loss) per ordinary share (in PLN/EUR)	(0.01)	2.20	-	0.52
	30.09.2018 in thous. PLN	31.12.2017 in thous. PLN	30.09.2018 in thous. EUR	31.12.2017 in thous. EUR
Total assets	942 562	901 017	220 668	216 025
Total liabilities	361 617	299 700	84 660	71 855
Long-term liabilities	33 346	130 107	7 807	31 194
Short-term liabilities	328 271	169 593	76 853	40 661
Equity capital	580 945	601 317	136 008	144 170
Share capital	23 931	23 931	5 603	5 738
Book value per share (in PLN/EUR)	24.28	25.13	5.68	6.02

INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017	3 months ended 30 Sept 2017
Continuing operations				
Revenue from sales of goods, products and materials	805 019	255 002	798 922	266 306
Revenue from sales of services	4 819	1 294	5 082	1 444
Sales revenue	809 838	256 296	804 004	267 750
Cost of goods, products and materials sold	(534 281)	(168 003)	(505 785)	(173 479)
Cost of services sold	(2 790)	(955)	(3 182)	(1 190)
Cost of sales	(537 071)	(168 958)	(508 967)	(174 669)
Gross profit (loss) on sales	272 767	87 338	295 037	93 081
Other operating revenue	2 424	873	1 023	232
Selling costs	(174 203)	(57 552)	(173 217)	(57 996)
G&A costs	(43 164)	(14 403)	(37 464)	(11 186)
Other operating costs	(4 279)	(1 857)	(4 749)	(1 158)
Profit (loss) on operating activities	53 545	14 399	80 630	22 973
Financial revenue	561	102	2 265	-
Financial costs	(17 784)	2 052	(6 106)	(5 820)
Profit (loss) on derivative financial instruments	(21)	58	360	5
Share in profit/loss of subsidiaries accounted for using equity method	(5 259)	(1 123)	(4 904)	(1 514)
Pre-tax profit (loss)	31 042	15 488	72 245	15 644
Income tax	(8 572)	(622)	(15 341)	(4 393)
Period profit (loss) on continuing operations	22 470	14 866	56 904	11 251
Discontinued operations	-	-	-	-
Period profit (loss) on discontinued operations	-	-	-	-
Period profit (loss)	22 470	14 866	56 904	11 251
Attributable to:				
Shareholders of Parent Company	22 479	14 874	56 889	11 259
Non-controlling shareholders	(9)	(8)	15	(8)
Period profit (loss) per share attributable to shareholders of Parent Company (in PLN):				
– basic	0.94	0.62	2.38	0.47
– diluted	0.94	0.62	2.38	0.47

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017 (unaudited converted)	3 months ended 30 Sept 2017 (unaudited converted)
Period profit (loss)	22 470	14 866	56 904	11 250
Other net comprehensive income, incl.:			25 387	(13 201)
Items that will not be reclassified to profit or loss in future periods	(750)	-	-	-
Valuation of certificates	(750)	-	-	-
Items that may be reclassified to profit or loss in future periods	(20 938)	20 890	25 387	(13 201)
Exchange differences on translation of foreign operations	330	(105)	(691)	20
Hedge accounting	14 213	(8 136)	10 809	17 057
Hedge costs	(35 481)	29 131	15 269	(30 278)
Comprehensive income for the period	782	35 756	82 291	(1 951)
Attributable to:				
Shareholders of Parent Company	791	35 764	82 276	(1 943)
Non-controlling shareholders	(9)	(8)	15	(8)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	30.09.2018 (unaudited)	31.12.2017 converted	30.09.2017 converted (unaudited)
ASSETS			
Non-current assets	1 104 039	1 044 190	978 414
Tangible fixed assets	867 794	788 084	704 020
Land held under perpetual usufruct	10 138	10 138	10 138
Intangible assets	16 671	16 617	16 071
Financial assets	119 635	120 382	161 428
Investment property	73 706	73 270	73 781
Investments accounted for using equity method	-	2 266	3 128
Receivables from derivative financial instruments	16 095	33 433	9 848
Current assets	513 516	437 845	449 328
Inventory	234 041	170 251	158 258
Trade and other receivables	153 783	185 911	235 294
Receivables from derivative financial instruments	10 661	18 210	5 592
Income tax receivables	16 725	6 402	1 749
Prepayments	2 985	4 004	4 221
Financial assets	239	199	145
Cash and cash equivalents	95 082	52 868	44 069
TOTAL ASSETS	1 617 555	1 482 035	1 427 742
Total equity			
Equity (attributable to shareholders of Parent Company), incl.:	636 741	635 960	625 496
Share capital	633 440	632 649	622 275
Share premium	23 931	23 931	23 931
Exchange differences on translation of foreign operations	114 556	114 556	114 556
Cash flow hedging reserve	7	(586)	106
Hedge costs	10 998	46 479	5 978
Other revaluation capital	8 015	(6 198)	4 986
Incentive scheme	(21 892)	(21 142)	17 654
Other reserve capital	2 354	2 354	2 354
Retained earnings	447 132	358 807	358 807
Total equity	48 339	114 448	93 903
Equity attributable to non-controlling shareholders	3 301	3 311	3 221
Long-term liabilities	507 420	562 881	537 765
Interest-bearing bank loans and borrowings	447 585	527 749	500 540
Liabilities to entities accounted for using equity method	2 933	-	-
Deferred income tax provision	9 893	10 234	11 811
Provision for post-employment benefits	3 604	3 601	3 392
Accruals	40 395	18 771	19 333
Financial liabilities under lease	72	301	438
Other long-term liabilities	2 938	2 225	2 251
Short-term liabilities	473 394	283 194	264 481
Trade and other liabilities	176 882	231 611	227 039
Contractual liabilities	5 981	1 125	1 843
Current part of interest-bearing bank loans and borrowings	282 784	45 291	30 644
Deferred income	2 003	280	19
Provisions	2 747	2 716	2 646
Liabilities under derivative financial instruments	2 630	1 492	1 536
Financial liabilities under lease	367	679	754
Total liabilities	980 814	846 075	802 246
TOTAL LIABILITIES	1 617 555	1 482 035	1 427 742

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017	3 months ended 30 Sept 2017
Cash flows from operating activities				
Period profit/(loss)	22 479	14 858	56 889	11 258
Adjustments by:	26 775	14 774	(32 497)	(12 389)
Share in profit/loss of entities accounted for using equity method	5 259	1 123	4 904	1 514
(Profit)/loss of non-controlling shareholders	(9)	8	15	(8)
Depreciation	31 794	12 939	19 595	7 098
Foreign exchange (gains)/losses	8 311	(8 301)	(6 694)	5 281
Net interest and dividends	10 569	5 005	5 551	2 091
(Profit)/loss on investment activities	23	27	61	19
Change in valuation of derivative financial instruments	21	(58)	(9)	22
Change in receivables	27 332	35 224	(43 089)	(36 423)
Change in inventory	(63 790)	(11 240)	(14 512)	(7 753)
Change in liabilities, excl. loans and borrowings	11 833	(12 173)	10 739	15 559
Change in prepayments and accruals	1 005	(849)	(616)	540
Change in provisions	4 604	(197)	3 945	771
Income tax paid	(13 800)	(7 302)	(23 753)	(4 843)
Current tax recognised in the profit and loss account	3 477	729	11 919	3 680
Exchange differences on translation	24	(111)	(691)	20
Other adjustments	122	(50)	138	43
Net cash from operating activities	49 254	29 632	24 392	(1 131)
Cash flows from investment activities				
Sale of tangible fixed assets and intangible assets	713	652	348	240
Purchase of tangible fixed assets and intangible assets	(164 161)	(35 110)	(194 015)	(60 055)
Real property investments	(436)	(5)	(835)	(439)
Sale of financial assets	-	-	-	-
Purchase of financial assets	-	-	(8 580)	3
Dividends received	296	7	278	8
Interest received	186	140	65	45
Repayment of loans granted	-	-	30	30
Loans granted	-	-	(2 410)	(10)
Net cash from investment activities	(163 402)	(34 316)	(205 119)	(60 178)
Cash flows from financing activities				
Proceeds from loans/borrowings	193 525	81 895	168 770	13 315
Repayment of loans/borrowings	(49 289)	(8 965)	(48 523)	59 842
Repayment of liabilities under lease	(542)	(173)	(974)	(300)
Dividends paid to shareholders of Parent Company	-	-	(4 780)	-
Contributions to capital	-	-	1 371	1 371
Interest paid	(11 226)	(5 151)	(5 895)	(2 189)
Financial income from grants received	23 361	(500)	19 156	-
Other financial income/costs	-	-	(92)	(92)
Net cash from financing activities	155 829	67 106	129 033	71 947
Net increase (decrease) in cash and cash equivalents	41 681	62 422	(51 694)	10 638
Net exchange differences (on valuation of cash)	533	(542)	(115)	133
Opening balance of cash	52 868	33 202	95 878	33 298
Closing balance of cash, incl.:	95 082	95 082	44 069	44 069
Restricted cash	-	(763)	14 370	2 636

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for 9 months ended 30 September 2018 (unaudited)**

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
As at 1 January 2018	23 931	114 556	(586)	(21 142)	2 354	114 448	46 479	(6 198)	358 807	632 649	3 311	635 960
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2018 after adjustments	23 931	114 556	(586)	(21 142)	2 354	114 448	46 479	(6 198)	358 807	632 649	3 311	635 960
Transfer of retained earnings to reserve capital	-	-	-	-	-	(88 325)	-	-	88 325	-	-	-
Dividend payment for 2017	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Current result	-	-	-	-	-	22 479	-	-	-	22 479	(9)	22 470
Hedge costs in the reporting period	-	-	-	-	-	-	-	14 213	-	14 213	-	14 213
Hedge accounting	-	-	-	-	-	-	(35 481)	-	-	(35 481)	-	(35 481)
Investment certificates	-	-	-	(750)	-	-	-	-	-	(750)	-	(750)
Exchange differences	-	-	593	-	-	(263)	-	-	-	330	-	330
Comprehensive income for the period	-	-	593	(750)	-	22 216	(35 481)	14 213	-	791	(9)	782
As at 30 September 2018	23 931	114 556	7	(21 892)	2 354	48 339	10 998	8 015	447 132	633 440	3 301	636 741

**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	Total	Equity of non-controlling shareholders	Total equity
As at 1 January 2017 converted	23 901	113 214	797	17 654	2 354	151 519	(9 291)	(5 823)	249 079	543 404	3 206	546 610
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2017 after adjustments	23 901	113 214	797	17 654	2 354	151 519	(9 291)	(5 823)	249 079	543 404	3 206	546 610
Equity increase in connection with implementation of the Incentive Scheme	30	1 342	-	-	-	-	-	-	-	1 372	-	1 372
Dividend payment for 2016	-	-	-	-	-	(4 780)	-	-	-	(4 780)	-	(4 780)
Transfer to reserve capital	-	-	-	-	-	(109 728)	-	-	109 728	-	-	-
Property revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	3	-	-	-	3	-	3
Provisions for employment benefits	-	-	-	-	-	95	-	-	-	95	-	95
Current result	-	-	-	-	-	77 339	-	-	-	77 339	105	77 444
Reversal of valuation entries	-	-	-	-	-	-	9 291	5 823	-	15 114	-	15 114
Hedge costs in the reporting period	-	-	-	-	-	-	-	(6 198)	-	(6 198)	-	(6 198)
Hedge accounting	-	-	-	-	-	-	46 479	-	-	46 479	-	46 479
Investment certificates	-	-	-	(38 796)	-	-	-	-	-	(38 796)	-	(38 796)
Exchange differences	-	-	(1 383)	-	-	-	-	-	-	(1 383)	-	(1 383)
Comprehensive income for the period	-	-	(1 383)	(38 796)	-	77 434	55 770	(375)	-	92 650	105	92 755
As at 31 December 2017	23 931	114 556	(586)	(21 142)	2 354	114 448	46 479	(6 198)	358 807	632 649	3 311	635 960

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for 9 months ended 30 September 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
As at 1 January 2017	23 901	113 214	797	17 654	2 354	151 519	(9 291)	(5 823)	249 079	543 404	3 206	546 610
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2017 after adjustments	23 901	113 214	797	17 654	2 354	151 519	(9 291)	(5 823)	249 079	543 404	3 206	546 610
Equity increase in connection with implementation of the Incentive Scheme	30	1 342	-	-	-	-	-	-	-	1 372	-	1 372
Transfer to reserve capital	-	-	-	-	-	(109 728)	-	-	109 728	-	-	-
Dividend payment for 2016	-	-	-	-	-	(4 780)	-	-	-	(4 780)	-	(4 780)
Other provisions	-	-	-	-	-	3	-	-	-	3	-	3
Current result	-	-	-	-	-	56 889	-	-	-	56 889	15	56 904
Reversal of valuation entries	-	-	-	-	-	-	9 291	5 823	-	15 114	-	15 114
Hedge costs in the reporting period	-	-	-	-	-	-	-	4 986	-	4 986	-	4 986
Hedge accounting	-	-	-	-	-	-	5 978	-	-	5 978	-	5 978
Exchange differences	-	-	(691)	-	-	-	-	-	-	(691)	-	(691)
Comprehensive income for the period	-	-	(691)	-	-	56 889	15 269	10 809	-	82 276	15	82 291
As at 31 September 2017	23 931	114 556	106	17 654	2 354	93 903	5 978	4 986	358 807	622 275	3 221	625 496

ACCOUNTING PRINCIPLES (POLICY) AND SELECTED 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 9 months ended 30 September 2018 and include the following comparative data: for the interim condensed consolidated profit and loss account, interim condensed consolidated statement of comprehensive income and interim condensed consolidated cash flow statement – for the period of 9 and 3 months ended 30 September 2017, for the interim condensed consolidated statement of financial position and interim condensed consolidated statement of changes in equity for the 9 months ended 30 September 2017 and for the year ended 31 December 2017.

The Parent Company – 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 sales 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 September 2018, the composition of the Capital Group was as follows:

Consolidated subsidiaries:

Subsidiaries (consolidated using full method):	Registered office	Scope of activity	Group’s stake in equity	
			30.09.2018	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	100%	100%

		and management consulting		
**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 Mazowiecka 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):			Group's stake in equity 30.09.2018
Registered office	Scope of activity		
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	Group's stake in equity 30.09.2018
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 stake 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 September 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 26 November 2018.

6. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

PROFESSIONAL JUDGEMENT

When applying the accounting principles (policy) to the issues set out below, management's professional judgment 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 its assessment to what extent risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on economic terms 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 basic assumptions related to the future and other key sources of uncertainties present at the balance sheet date, to which the risk of significant adjustment of balance sheet assets and liabilities is related in the following financial year are presented below.

IMPAIRMENT OF ASSETS

The Group tested inventory for impairment. The results of inventory valuation are presented in note 15 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 note 27.

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 interim condensed financial statements have been prepared in accordance with the historical cost principle, except for derivative financial instruments and investment properties, which are measured at fair value.

These interim condensed consolidated financial statements are presented in Polish zloty ("PLN") and all figures are given in PLN thousands, unless indicated otherwise.

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 consolidated 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.

8. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared in accordance with IAS 34 and International Financial Reporting Standards ("IFRS") approved by the EU. As at the date of approval of these financial statements for publication, taking into account the ongoing process of implementing the IFRS standards in the EU and the Group's operations, there are no differences between the IFRS standards that have come into effect and the IFRS standards approved by the EU with regard to the accounting principles applied by the Group.

IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting principles adopted to prepare these interim condensed consolidated financial statements are consistent with the principles adopted to prepare the annual consolidated financial statements for the financial year ended 31 December 2017, except for the new accounting standards and interpretations applied from 1 January 2018.

These interim condensed consolidated financial statements do not contain information or disclosures required in full financial statements and should be read in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2017.

9. CHANGES IN THE APPLIED ACCOUNTING PRINCIPLES AND DATA PRESENTATION IN THE FINANCIAL STATEMENTS

9.1. CHANGES IN 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 9.2.

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.

9.2. IMPACT OF THE ADOPTION OF IFRS 9 ON THE GROUP'S FINANCIAL STATEMENTS

9.2.1. 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 include capital and interest repayment only (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 decided to measure equity instruments such as 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 are not included in the financial result. This category includes financial instruments such as investment certificates.
- **Measurement of hedging instruments**
By measuring hedging instruments in accordance with the assumptions made under IFRS9, the Group verifies the existence of a link between the hedging instrument and the hedged item at each reporting date and performs a valuation by identifying the intrinsic and time value. The effects of such valuation are recognised in other comprehensive income.

9.2.2. 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 they arose which are not forwarded to factoring are not discounted and are measured at face value. For the purpose of 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 recognised in its consolidated financial statements the effect of reversing the time value of options from the end of 2017, presenting the amount of PLN 6 198 thousand in the statement of comprehensive income under "hedge costs".

9.3. 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 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.

10. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are converted to PLN at the exchange rate applicable as at the date of 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 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 PLN 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 – 4.2714
- Forte Möbel AG – CHF – 3.7638
- Forte Furniture Products India PVT. LTD – INR – 0.0506

- individual items of the profit and loss account at the exchange rate calculated as arithmetic mean of average exchange rates determined by the National Bank of Poland as at the date ending each month

- Möbelvertrieb Forte GmbH – EUR – 4.2535
- Forte Möbel AG – CHF – 3.6772
- Forte Furniture Products India PVT. LTD – INR – 0.0528

Exchange differences arising from the translation into a 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.

11. 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	
Q3 2018 unaudited	53 423	21%	202 873	79%	256 296	
Total 2018	146 592		663 246		809 838	
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%
Total 2017	162 393	15%	933 837	85%	1 096 230	100%

12. REVENUE AND COSTS

SALES REVENUE

	For the reporting period ended	
Sales revenue	30.09.2018	30.09.2017

Revenue from sales of products, goods and materials:

- products	774 333	786 863
- goods	6 671	5 845
- materials	24 015	6 214
Revenue from sales of services:	4 819	5 082
Total net sales revenue	809 838	804 004
- incl. from related entities and entities accounted for using the equity method	5 486	(69)*

* sales adjustments issued to the 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 64 563 thousand (in the comparative period as at 30 June 2017: PLN 64 326 thousand).

The Group's revenue from sales of materials is inclusive of sales of chipboard to unrelated entities. In the 9 months of 2018, revenue from sales of chipboard amounted to PLN 13 830 thousand, including PLN 8 209 thousand in Q3 itself.

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 of 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	
	30.09.2018	30.09.2017
Reversal of allowances	324	113
Profit on sales of tangible fixed assets	54	30
Grants	1 353	72
Donations and compensations	472	392
Other	221	416
Total other operating revenue	2 424	1 023

OTHER OPERATING COSTS

Other operating costs	For the reporting period ended	
	30.09.2018	30.09.2017
Creation of allowances	326	7
Liquidation and impairment losses on tangible fixed assets	76	19
Loss on sales of tangible fixed assets	-	44
Scrapping of inventory	1 400	2 117
Donations	600	392
Penalties and compensations	1 245	1 748
Court fees	13	2
Other	619	420
Total other operating costs	4 279	4 749

FINANCIAL REVENUE

Financial revenue	For the reporting period ended	
	30.09.2018	30.09.2016
Dividends	296	278
Excess of foreign exchange gains over losses	-	1 895
Interest	265	90
Other	-	2

Total financial revenue	561	2 265
--------------------------------	------------	--------------

FINANCIAL COSTS

Financial costs	For the reporting period ended	
	30.09.2018	30.09.2017
Interest on loans and leases	9 757	5 900
Commissions on loans	1 361	107
Excess of foreign exchange losses over gains	6 574	-
Other	92	99
Total financial costs	17 784	6 106

Exchange differences mainly relate to valuation of the existing bank loans in EUR as at the balance sheet date.

COSTS BY TYPE

Costs by type	For the reporting period ended	
	30.09.2018	30.09.2017
Depreciation	31 794	19 594
Consumption of materials and energy	395 544	382 598
Third-party services	162 019	144 580
Taxes and fees	8 040	7 603
Payroll	132 275	121 659
Social insurance and other benefits	30 403	30 571
Other costs by type	9 897	9 937
Total costs by type	769 972	716 542
Change in product inventory and accruals	(40 234)	(3 747)
Manufacturing cost of products for internal purposes	(1 333)	(2 330)
Selling costs	(174 203)	(173 217)
G&A costs	(43 164)	(37 464)
Manufacturing cost of products and services sold	511 038	499 784
Value of goods and materials sold	26 033	9 183
Cost of sales	537 071	508 967

Information on key suppliers

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

13. INFORMATION ON OPERATING SEGMENTS

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

14. CHANGES IN ESTIMATES

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

PREPAYMENTS AND PROVISIONS

Prepayments	30.09.2018	31.12.2017	30.09.2017
Property and motor insurance	209	1 411	1 684
Perpetual usufruct	282	-	282
Trade fair	21	185	2
Settlement of project costs	1 004	1 229	1 272
Business trips	10	24	50
Licences	178	109	184

Other	1 281	1 046	747
Total prepayments	2 985	4 004	4 221

Deferred income	30.09.2018	31.12.2017	30.09.2017
Long-term part of the grant	40 395	18 771	19 333
Short-term part of the grant	2 004	280	19
	42 399	19 051	19 352

Deferred income in the amount of PLN 42 399 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.

PROVISIONS

Provisions	30.09.2018	31.12.2017	30.09.2017
Deferred tax provision	9 893	10 234	11 811
Post-employment benefits	3 604	3 601	3 392
	13 497	13 835	15 203

Short-term provisions	30.09.2018	31.12.2017	30.09.2017
Short-term provision for post-employment benefits	432	432	422
Provision for warranty repairs	2 315	2 284	2 224
	2 747	2 716	2 646

BALANCE SHEET ALLOWANCES

	30.09.2018	31.12.2017	30.09.2017
Allowances for shares	399	404	399
Allowances for short-term receivables	1 502	1 737	1 642
Allowances for fixed assets	-	-	-
Allowances for inventories	8 419	8 419	8 754

ALLOWANCES FOR RECEIVABLES

Allowances for receivables	30.09.2018	31.12.2017	30.09.2017
Allowance as at 1 January	1 737	1 960	1 960
Exchange differences	11	(34)	(22)
Creation	327	679	7
Use	(56)	(256)	(215)
Release	(517)	(612)	(88)
Allowance as at period end	1 502	1 737	1 642

ALLOWANCES FOR INVENTORIES

Allowances for inventories	30.09.2018	31.12.2017	30.09.2017
Allowance as at 1 January	8 419	8 754	8 754
Increase	-	671	-
Decrease	-	(1 006)	-
Allowance as at period end	8 419	8 419	8 754

In the reporting period ended 30 September 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.

15. INCOME TAX

The main items of tax charge for the 9 months ended 30 September 2018 and 30 September 2017 are as follows:

Income tax	For the reporting period ended	
	30.09.2018	30.09.2017
Current income tax		
Current charge due to income tax	3 477	11 934
Adjustments related to current income tax from previous years	-	(15)
Deferred income tax		
Relating to origination and reversal of temporary differences	5 095	3 422
Tax charge recognised in the consolidated profit and loss account	8 572	15 341

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. The effective tax burden of the Group results from the exclusion of non-current differences in the form of licence fee for the right to use the trademark from the tax base of the Parent Company.

16. TANGIBLE FIXED ASSETS

The carrying amount of machinery and equipment used by the Group as at 30 September 2018 under finance lease agreements and hire purchase agreements is PLN 933 thousand (as at 31 December 2017: PLN 1 905 thousand; as at 30 September 2017: PLN: 2 043 thousand), of which PLN 230 thousand relates to the lease of machinery and equipment, PLN 703 thousand - the lease of means of transport.

Assets pledged as collateral

Land and buildings with a carrying amount of PLN 337 557 thousand (as at 31 December 2017: PLN 278 556 thousand and as at 30 September 2017: PLN 260 465 thousand) are covered by mortgages established to secure bank loans. Additionally, machinery and equipment with a carrying amount of PLN 422 562 thousand are subject to registered pledge (as at 31 December 2017: PLN 396 383 thousand and as at 30 September 2017: PLN 344 589 thousand).

In the reporting period ended 30 September 2018, the capitalised borrowing costs amounted to PLN 4 324 thousand (as at 31 December 2017: PLN 8 519 thousand and as at 30 September 2017: PLN 5 167 thousand).

Investment liabilities

As at 30 September 2018, the Group's investment liabilities amounted to PLN 20 422 thousand (as at 31 December 2017: 81 435 thousand and as at 30 September 2017: PLN 72 499 thousand) and relate mainly to the liabilities incurred by TANNE in connection with the construction of the chipboard factory.

Non-current assets held for sale

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

Purchase and sale

In the 9 months ended 30 September 2018, the Group purchased fixed assets of PLN 111 077 thousand (in the comparative period ended 31 December 2017: PLN 464 608 thousand; as at 30 September 2017: PLN 371 449 thousand) and sold fixed assets with a net value of PLN 709 thousand (in the comparative period ended 31 December 2017: PLN 722 thousand; as at 30 September 2017: PLN 178 thousand).

The most significant investments made by the Group in the reporting period include capital expenditure incurred by TANNE Sp. z o.o. for the construction of the chipboard factory in Suwałki in the amount of PLN 84 214 thousand, as well as for the construction of a company kindergarten in Suwałki and the purchase of modern machinery and equipment.

17. 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		
	30.09.2018	31.12.2017	30.09.2017
Opening balance at the beginning of the reporting period	73 270	72 946	72 946
Change:			
- expenditure on modernisation	436	1 103	835
- reclassification from tangible fixed assets	-	-	-
- revaluation to fair value	-	(779)	-
Closing balance at the end of the reporting period	73 706	73 270	73 781

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 September 2018, the value of real property increased by PLN 436 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 September 2018, the fair value hierarchy was as follows:

	Level 1	Level 2	Level 3	Fair value as at 30.09.2018
Real property in Wrocław	-	-	36 900	36 900
Real property in Bydgoszcz	-	-	19 956	19 956
Real property in Przemyśl	-	-	14 795	14 795
Real property in Kraków	-	-	1 070	1 070
Land in Sokółka	-	-	985	985
			73 706	73 706

18. INTANGIBLE ASSETS

EXPENDITURE ON RESEARCH AND DEVELOPMENT

In the reporting period ended 30 September 2018, the Group recognised in its profit and loss account an amount of PLN 1 527 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 493 thousand as at 30 September 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. 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.

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.

INTANGIBLE ASSETS HELD FOR SALE

As at 30 September 2018, the Group did not have intangible assets classified as held for sale.

19. FINANCIAL INSTRUMENTS

**Classification of financial instruments according to IFRS 9 as at 30 September 2018
at carrying amount**

	Financial assets available for sale	Loans and receivables	Financial liabilities at amortised cost	Hedging instruments	Total
Non-current financial assets:	108 381	10 495	-	16 095	134 971
Financial assets	108 381	10 495	-	-	118 876
Hedge accounting receivables	-	-	-	16 095	16 095
Current financial assets:	113	219 653	-	10 661	230 427
Trade and other receivables	-	124 445	-	-	124 445
Cash and cash equivalents	-	95 082	-	-	95 082
Hedge accounting receivables	-	-	-	10 661	10 661
Other financial assets	113	126	-	-	239
Long-term financial liabilities:	-	-	(447 585)	-	(447 585)
Interest-bearing loans and borrowings	-	-	(447 585)	-	(447 585)
Hedge accounting liabilities	-	-	-	-	-
Short-term financial liabilities:	-	-	(442 429)	(2 630)	(445 059)
Trade and other liabilities	-	-	(159 645)	-	(159 645)
Hedge accounting liabilities	-	-	-	(2 630)	(2 630)
Current part of bank loans and borrowings	-	-	(282 784)	-	(282 784)
	108 494	230 148	(890 014)	24 126	(527 246)

**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	Total
Non-current financial assets:	109 307	10 313	-	33 433	-	153 053
Financial assets	109 307	10 313	-	-	-	119 620
Receivables from derivatives	-	-	-	33 433	-	33 433
Current financial assets:	107	184 567	-	18 210	-	202 884
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
Long-term financial liabilities:	-	-	(527 749)	-	(301)	(528 050)
Interest-bearing loans and borrowings	-	-	(527 749)	-	-	(527 749)
Financial liabilities under lease	-	-	-	-	(301)	(301)
Other financial liabilities	-	-	-	-	-	-
Short-term financial liabilities:	-	-	(256 268)	(1 492)	(679)	(258 439)
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)
	109 414	194 880	(784 017)	50 151	(980)	(430 552)

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.

	As at 30 September 2018		As at 31 December 2017 adjusted	
	Level 2	Level 3	Level 2	Level 3
Non-current financial assets	-	3	-	3
Receivables from derivatives	26 756	-	51 643	-
Liabilities under derivatives	(2 630)	-	(1 793)	-
	24 126	3	49 850	3

Methods of determining the fair value of financial instruments.

Level 1

In the reporting period ended 30 September 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	
	30.09.2018	31.12.2017 adjusted
Opening balance	3	3
Impairment allowances	-	-
Sales	-	-
Closing balance	3	3

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

20. FINANCIAL ASSETS

	As at		
	30.09.2018	31.12.2017	30.09.2017
Long-term financial assets			
Stocks/ shares in subsidiaries not listed on the stock exchange, excluded from consolidation	651	651	656
Investment certificates	108 378	109 304	157 200
Other stocks and shares	3	3	3
Other	-	-	-
Other long-term financial assets			
Long-term receivables (purchase of apartments)	47	50	3 454
Loans granted to related entities	7 095	6 913	54
Loans granted to other entities	3 400	3 400	-
Other	61	61	61
	119 635	120 382	161 428

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

SELECTED FINANCIAL DATA BASED ON THE STAKE IN THE COMPANY'S EQUITY	30.09.2018 (unaudited)	31.12.2017
Non-current assets	258	2 742
Current assets	13 388	31 221
Total assets	13 646	33 963
Equity	(2 933)	4 533
Long-term liabilities	10 654	29 430
Short-term liabilities	5 925	0
Total liabilities	13 646	33 963
Current result	(5 259)	(2 376)

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.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	As at		
	30.09.2018	31.12.2017	30.09.2017
Cash at bank and in hand	59 128	52 292	41 663
Other cash (deposits under 3 months, corporate bonds)	35 954	576	2 406
Cash at bank and in hand attributable to discontinued operations	-	-	-
Total cash and cash equivalents	95 082	52 868	44 069

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 September 2018 is PLN 95 082 thousand (31 December 2017: PLN 52 868 thousand, 30 September 2017: PLN 44 069 thousand).

22. SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL

SHARE CAPITAL

Share capital (shares in units)	As at 30.09.2018
Series A ordinary shares with a nominal value of PLN 1 each	8 793 992
Series B ordinary shares with a nominal value of PLN 1 each	2 456 380
Series C ordinary shares with a nominal value of PLN 1 each	6 058 000
Series D ordinary shares with a nominal value of PLN 1 each	2 047 619
Series E ordinary shares with a nominal value of PLN 1 each	4 327 093
Series F ordinary shares with a nominal value of PLN 1 each	68 000
Series G ordinary shares with a nominal value of PLN 1 each	150 000
Series H ordinary shares with a nominal value of PLN 1 each	29 685
	23 930 769

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

SHARE PREMIUM

In the 9 months ended 30 September 2018, there were no events resulting in a change in the share premium.

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
As at 30 September 2018	1 250	445 882	447 132

CASH FLOW HEDGING RESERVE

	30.09.2018 (unaudited)	31.12.2017 (audited converted)
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	(33 370)	73 306
Amount transferred to profit and loss account due to conclusion of hedge transactions	(8 726)	(2 725)
Deferred income tax	6 615	(14 811)
	10 998	46 479

HEDGE COSTS

	30.09.2018 (unaudited)	31.12.2017 (audited converted)
Hedge costs at the beginning of the reporting period	(6 198)	(5 823)
Hedge costs recognised in equity in the reporting period	16 093	(1 829)
Deferred income tax	(1 880)	1 454
Hedge costs at the end of the reporting period	8 015	(6 198)

23. DIVIDEND PAID AND PROPOSED

Pursuant to the 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 the 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.

24. EARNINGS PER SHARE

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

	30.09.2018	For 9 months ended 30.09.2017
Net profit (loss) on continuing operations	22 470	56 904
Loss on discontinued operations	-	-
Net profit (loss)	22 470	56 904
Net profit (loss) attributable to ordinary shareholders, applied to calculate diluted earnings per share	22 470	56 904

	30.09.2018	For 9 months ended 30.09.2017
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23 930 769	23 930 769
Effect of dilution:		
Convertible bonds	-	-
Adjusted weighted average number of ordinary shares, applied to calculate diluted earnings per share	23 930 769	23 903 485

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.

25. INTEREST-BEARING BANK LOANS

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

Borrower	Short-term	Nominal interest rate %	Repayment date	30.09.2018 (unaudited)	31.12.2017
FORTE S.A.	mBank S.A. – investment loan of EUR 2 400 thousand	1M EURIBOR	by 31.12.2018	440	2 307
FORTE S.A.	PKO BP S.A. – investment loan of EUR 3 500 thousand	1M EURIBOR	by 22.12.2018	1 474	3 744

FORTE S.A.	PKO BP S.A. – investment loan of EUR 3 500 thousand	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	76 478	-
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	75 355	-
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	7 194	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	52 759	21 259
TANNE SP. Z O.O	PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand – short-term part	3M EURIBOR	by 17.10.2024	69 084	12 282
Total short-term				282 784	45 291

Borrower	Long-term	Nominal interest rate %	Repayment date	30.09.2018 (unaudited)	31.12.2017
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	20 376	15 834
DYSTRI-FORTE SP. Z O.O.	ING Bank Śląski S.A. – investment loan of EUR 7 250 thousand – long-term part	3M EURIBOR	by 31.12.2021	10 803	17 143
FORTE BRAND SP. Z O.O	ING Bank Śląski S.A. – investment loan of PLN 130 000 thousand – long-term part	1M WIBOR	by 16.12.2019	53 714	100 514
TANNE SP. Z O.O	PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand – long-term part	3M EURIBOR	by 17.10.2024	362 692	294 777
Total long-term				447 585	527 749

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 collateral 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"> 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
FORTE S.A.	mBank S.A. – investment loan of EUR 2 400 thousand	<ol style="list-style-type: none"> 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
FORTE S.A.	PKO BP S.A. – revolving loan of PLN 100 000 thousand	<ol style="list-style-type: none"> 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. Assignment of rights from insurance policy 4. Registered pledge on inventories of items specified as to their kind, located in the Branch in Hajnówka
FORTE S.A.	ING Bank Śląski S.A. – revolving loan of PLN 100 000 thousand	<ol style="list-style-type: none"> 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
FORTE S.A.	mBank S.A. – revolving loan of EUR 5 000 thousand	<ol style="list-style-type: none"> 1. Blank promissory note with a promissory note declaration 2. Registered pledge on fixed assets up to the maximum collateral amount of EUR 6 000 thousand
DYSTRI-FORTE SP. Z O.O.	ING Bank Śląski S.A. – investment loan totalling EUR 7 250 thousand	<ol style="list-style-type: none"> 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 2. Registered pledge on equipment of the high bay warehouse in Ostrów Mazowiecka 3. Assignment of rights from insurance policy 4. Surety provided by the Parent Company

<p>FORTE BRAND SP. Z O.O</p>	<p>ING Bank Śląski S.A. – A and B investment loan totalling 130 000 thousand</p>	<ol style="list-style-type: none"> 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 Przemysł at ul. Bakończycka, on a cooperative ownership right to commercial premises located in Kraków at ul. Aleksandry 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 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 4. Financial pledge on investment certificates up to the maximum collateral amount of PLN 174 600 thousand 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 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.; 7. Assignment of rights from insurance policy pertaining to real property on which mortgages were established 8. Blank promissory note with a promissory note declaration
<p>TANNE SP. Z O.O.</p>	<p>PKO BP S.A. and BGK – investment loan of EUR 130 000 thousand</p>	<ol style="list-style-type: none"> 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, 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, 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, 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, 5. Guarantee Agreement signed by the Parent Company, 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, 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, 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		
	30.09.2018	31.12.2017	30.09.2017
PLN	278 682	237 088	237 231
EUR	451 687	335 952	293 953
USD	-	-	-
	730 369	573 040	531 184

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

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 and an annex establishing an early repayment of the loan of PLN 30 000 thousand. The loan was repaid on 16.10.2018.

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.

26. FINANCIAL INSTRUMENTS

In the reporting period, there were no changes in the classification of financial instruments or transfers between individual levels of the fair value hierarchy of financial instruments.

27. 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	
	30.09.2018	31.12.2017
Long-term receivables from derivative financial instruments	16 095	33 433
Short-term receivables from derivative financial instruments	10 661	18 210
Long-term liabilities under derivative financial instruments	2 630	301
Short-term liabilities under derivative financial instruments	-	1 492

Hedging instruments revaluation reserve

The hedging instruments revaluation reserve includes:

- valuation of financial instruments hedging cash flows in the amount of: PLN 26 720 thousand
- valuation of financial instruments hedging the amount of interest rates in the amount of: PLN (2 630) thousand
- deferred tax liability for hedging instruments: PLN (5 077) thousand

Total hedging instruments revaluation reserve: PLN 19 013 thousand

Cash flow hedge accounting

As at 30 September 2018, the fair value of foreign exchange contracts that meet the criterion of being included in hedge accounting amounted to PLN 26 720 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 settlement dates are convergent with the dates in which the amounts taken 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	6 000	Put Option	11.2015	10.2018-11.2018	4.3000	PKO BP S.A.	382
EUR	6 000	Call Option	11.2015	10.2018-11.2018	4.7070	PKO BP S.A.	-
EUR	24 000	Put Option	04.2016	01-03.2019	4,3500-4.4000	PKO BP S.A.	2 164
EUR	24 000	Call Option	04.2016	01-03.2019	4.8500-4.9250	PKO BP S.A.	(37)
EUR	23 000	Put Option	08.2016	07-08.2019	4.4000	PKO BP S.A.	2 564
EUR	23 000	Call Option	08.2016	07-08.2019	4.8650	PKO BP S.A.	(293)
EUR	16 000	Put Option	10.2016	10.2019	4.4500	PKO BP S.A.	2 300
EUR	16 000	Call Option	10.2016	10.2019	4.8850	PKO BP S.A.	(294)
EUR	16 000	Put Option	11.2016	11.2019	4.5000	PKO BP S.A.	2 845
EUR	16 000	Call Option	11.2016	11.2019	5.1400	PKO BP S.A.	(174)
EUR	42 000	Put Option	07.2017	12.2019-05.2020	4.3500	PKO BP S.A.	3 448
EUR	42 000	Call Option	07.2017	12.2019-05.2020	4.7300	PKO BP S.A.	(1 903)
EUR	52 000	Put Option	05.2018	09.2020-04.2021	4.4000	PKO BP S.A.	5 180
EUR	52 000	Call Option	05.2018	09.2020-04.2021	4.7580	PKO BP S.A.	(4 415)
EUR	20 000	Put Option	06.2018	05-06.2021	4.4000	PKO BP S.A.	1 940
EUR	20 000	Call Option	06.2018	05-06.2021	4.9405	PKO BP S.A.	(1 524)
Total						PKO BP S.A.	12 183
EUR	6 000	Put Option	12.2015	10-11.2018	4.3500	mBank S.A.	423
EUR	6 000	Call Option	12.2015	10-11.2018	4.6700	mBank S.A.	(1)
EUR	5 000	Put Option	05.2016	01-04.2019	4.4500	mBank S.A.	764
EUR	5 000	Call Option	05.2016	01-04.2019	4.9250	mBank S.A.	(9)
EUR	14 000	Put Option	10.2016	09.2019	4.4000	mBank S.A.	1 540
EUR	14 000	Call Option	10.2016	09.2019	4.9075	mBank S.A.	(209)
EUR	37 000	Put Option	08.2017	01-06.2020	4.4000	mBank S.A.	3 927
EUR	37 000	Call Option	08.2017	01-06.2020	4.7110	mBank S.A.	(1 974)
EUR	39 000	Put Option	09.2017	06-09.2020	4.4500	mBank S.A.	4 937
EUR	39 000	Call Option	09.2017	06-09.2020	4.8165	mBank S.A.	(2 312)
EUR	47 000	Put Option	04.2018	10.2020-04.2021	4.3500	mBank S.A.	3 628
EUR	47 000	Call Option	04.2018	10.2020-04.2021	4.6710	mBank S.A.	(4 983)
Total						mBank S.A.	5 731
EUR	14 000	Put Option	01.2016	10-12.2018	4.4500	ING Bank Śląski	2 309
EUR	14 000	Call Option	01.2016	10-12.2018	4.7800	ING Bank Śląski	(1)
EUR	15 000	Put Option	04.2016	01-03.2019	4.4000	ING Bank Śląski	1 735

EUR	15 000	Call Option	04.2016	01-03.2019	4.8950	ING Bank Śląski	(6)
EUR	10 000	Put Option	05.2016	04.2019	4.4500	ING Bank Śląski	1 534
EUR	10 000	Call Option	05.2016	04.2019	4.9600	ING Bank Śląski	(11)
EUR	22 000	Put Option	06.2016	05-06.2019	4.4500	ING Bank Śląski	3 315
EUR	22 000	Call Option	06.2016	05-06.2019	4.9300	ING Bank Śląski	(69)
Total						ING Bank Śląski S.A.	8 806

Interest rate risk hedging

As at 30 September 2018, the fair value of foreign exchange contracts that meet the criterion of being included in hedge accounting amounted to PLN (2 594) thousand and as an effective value of PLN (2 630) thousand, it was recognised in the revaluation reserve and as an ineffective part in the amount of PLN 36 thousand, it was recognised in the profit and loss account under profit from derivative financial instruments and receivables 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 loan amount),
- 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.

28. RELATED PARTY TRANSACTIONS

COMMERCIAL TRANSACTIONS

Total amounts of transactions concluded with related entities excluded from consolidation for the 9 months ended 30 September 2018 and 30 September 2017 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
	30.09.2018	-	134	-	-
FORTE BALDAI UAB	31.12.2017	-	178	-	15
	30.09.2017	-	135	-	15
	30.09.2018	2	842	-	94
FORTE SK S.R.O.	31.12.2017	-	1 121	-	92
	30.09.2017	-	843	-	95
	30.09.2018	-	282	-	31
FORTE FURNITURE LTD.	31.12.2017	-	757	-	61
	30.09.2017	-	573	-	63
	30.09.2018	3	1 340	-	149
FORTE IBERIA S.L.U.	31.12.2017	-	1 581	-	129
	30.09.2017	-	1 190	-	134
	30.09.2018	-	-	-	-
FORTE MOBILIER S.A.R.L.	31.12.2017	-	-	-	-
	30.09.2017	-	-	-	-
TM HANDEL SP. Z O.O.	30.09.2018	363	-	-	148
	31.12.2017	11	359	98	37
	30.09.2017	(69)	332	-	56
	30.09.2018	3 955	58	2 160	24
ANTWERP FP SP. Z O.O.	31.12.2017	1 141	17	1 382	21
	30.09.2017	-	-	-	-
Total	30.09.2018	4 323	2 656	4 557	446
	31.12.2017	2 346	4 013	2 656	355
	30.09.2017	(69)	3 073	-	363

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

Related entity accounted for using the equity method		Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
	30.09.2018	1 163	-	2 397	-
FORTE FURNITURE	31.12.2017	-	-	3	-
PRODUCTS INDIA PVT. LTD	30.09.2017	645	-	651	-

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 30.09.2018 is presented in the table below:

Related entity	Loan amount	Loan currency	Repayment date	Loan balance as at 30.09.2018 (unaudited) in PLN	Interest due as at 30.09.2018
Related entities:					
FORTE MOBILIER S.a.r.l.	40	EUR	December 2020	128	1
FORTE FURNITURE PRODUCTS INDIA Ltd	1 642	EUR	March 2022	7 015	56
Total:				7 143	57
Including:					
Short-term part:					
FORTE MOBILIER S.a.r.l.				48	1
FORTE FURNITURE PRODUCTS INDIA Ltd				-	56
Total:				48	57
Long-term part:					
FORTE MOBILIER S.a.r.l.				80	-
FORTE FURNITURE PRODUCTS INDIA Ltd				7 015	
Total:				7 095	-

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
Related entities:					
FORTE MOBILIER S.a.r.l.	40	EUR	December 2019	125	-
FORTE FURNITURE PRODUCTS INDIA Ltd	1 642	EUR	March 2025	6 850	7
Total:				6 975	7
Including:					
Short-term part:					
FORTE MOBILIER S.a.r.l.				62	-
FORTE FURNITURE PRODUCTS INDIA Ltd				-	7
Total:				62	7
Long-term part:					
FORTE MOBILIER S.a.r.l.				63	-
FORTE FURNITURE PRODUCTS INDIA Ltd				6 850	
Total:				6 913	-

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

On 10 June 2014, the Annual General Meeting of FABRYKI MEBLI "FORTE" SA approved the introduction of an incentive scheme for Members of the Management Board (the "Incentive Scheme").
 The purpose of the Incentive Scheme is to strive to develop the 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 H series shares was determined by the resolution of the Supervisory Board of 27 October 2014 at 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
Outstanding as at 01.01.2018, incl.:			
	D	89 055	46.19
	F	118 740	46,19
Change during the reporting period			
Exercised in 2018			
		-	
Outstanding as at 30.09.2018, incl.:			
Exercisable as at 30.09.2018			
	D	89 055	46.19
	F	118 740	46.19

29. 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 30.09.2018, the loan balance amounts to PLN 17 997 thousand.

In the reporting period ended 30.09.2018, the Parent 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 235 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 798 thousand;
- to IMPRESS DECOR POLSKA Sp. z o.o. – a surety for trade liabilities up to PLN 110 thousand with the expiry date on 08.10.2018. The balance of outstanding liabilities at the end of the reporting period is PLN 0 thousand;
- to Pfeleiderer 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 303 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 30.09.2018, the following collaterals for loan facilities granted to the subsidiary TANNE Sp. z o.o. were in force. As at 30.09.2018, the balance of loan facilities was EUR 101 085 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.

30. POST BALANCE SHEET EVENTS

On 5 November 2018, the Parent Company concluded contracts with PKO Bank Polski S.A for the following zero cost transactions of sale of the Call option and purchase of the Put option hedging against exchange rate risk:

1. 4,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-07-14
2. 4,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-07-28
3. 6,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-08-13
4. 7,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-08-27
5. 7,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-09-14
6. 8,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-09-28
7. 8,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-10-13
8. 8,000,000 EUR – Put 4,4000 – Call 4,9560 with the expiration date 2021-10-27

Total nominal value of the transactions in question amounts to EUR 104 000 thousand (EUR 52 000 thousand for each type of option), which is equivalent to PLN 344 698 thousand as at the transaction date.

On 23.11.2018, Forte Brand Sp. z o.o. signed annex no. 6 to the loan agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

On 23.11.2018, Dystri-Forte Sp. z o.o. signed annex no. 7 to the loan agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

On 23.11.2018, the Parent Company concluded a surety agreement with ING Bank Śląski S.A. securing the loan taken by Forte Brand Sp. z o.o. up to the amount of PLN 74,472,711.

On 23.11.2018 the Parent Company concluded a supplementary agreement to the Loan Agreement with ING Bank Śląski S.A. changing the acceptable debt ratios.

31. FINANCIAL STATEMENTS OF FABRYKI MEBLI FORTE SA

PROFIT AND LOSS ACCOUNT

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017	3 months ended 30 Sept 2017
Continuing operations				
Revenue from sales of goods, products and materials	802 314	249 243	828 573	295 028
Revenue from sales of services	6 765	2 375	4 674	1 609
Sales revenue	809 079	251 618	833 247	296 637
Cost of goods, products and materials sold	(575 106)	(179 119)	(537 317)	(204 227)
Cost of services sold	(3 095)	(1 301)	(2 095)	(531)
Cost of sales	(578 201)	(180 420)	(539 412)	(204 758)
Gross profit (loss) on sales	230 878	71 198	293 835	91 879
Other operating revenue	1 212	231	654	155
Selling costs	(192 147)	(61 837)	(198 510)	(66 445)
G&A costs	(34 702)	(11 580)	(34 910)	(10 505)
Other operating costs	(3 737)	(1 464)	(4 547)	(1 115)
Profit (loss) on operating activities	1 504	(3 452)	56 522	13 969
Financial revenue	5 300	(2 605)	8 951	767
Financial costs	(2 832)	(1 135)	(1 652)	1 139
Pre-tax profit (loss)	3 972	(7 192)	63 821	15 875
Income tax	(4 157)	365	(11 197)	(3 210)
Period profit (loss) on continuing operations	(185)	(6 827)	52 624	12 665
Discontinued operations	-	-	-	-
Period profit (loss) on discontinued operations	-	-	-	-
Period profit (loss)	(185)	(6 827)	52 624	12 665
Period profit (loss) per share (in PLN):				
- basic	(0.01)	(0.29)	2.20	0.53
- diluted	(0.01)	(0.29)	2.20	0.53

STATEMENT OF COMPREHENSIVE INCOME

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017	3 months ended 30 Sept 2017
Period profit (loss)	(185)	(6 827)	52 624	12 665
Other net comprehensive income, incl.:	(20 187)	20 573	27 614	(12 962)
Items that may be reclassified to profit or loss in future periods	(20 187)	20 573	27 614	(12 962)
Hedge accounting	(34 400)	28 709	16 805	(30 019)
Hedge costs	14 213	(8 136)	10 809	17 057
Comprehensive income for the period	(20 372)	13 746	80 238	(297)

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	30 Sept 2018	As at 31 Dec 2017	30 Sept 2017
ASSETS			
Non-current assets	541 434	518 281	495 755
Tangible fixed assets	244 505	235 306	235 300
Land held under perpetual usufruct	10 138	10 138	8 025
Intangible assets	1 320	1 330	781
Investments in subsidiaries and jointly controlled entities	202 974	162 974	162 979
Loans granted	66 295	74 988	78 707
Other long-term receivables	107	112	115
Receivables from derivative financial instruments	16 095	33 433	9 848
Current assets	401 128	382 736	409 333
Inventory	161 228	145 932	150 028
Trade and other receivables	146 517	164 133	218 855
Receivables from derivative financial instruments	10 625	18 210	5 584
CIT receivables	16 725	6 398	1 749
Prepayments	2 516	3 028	3 634
Loans granted	17 870	12 351	7 734
Cash and cash equivalents	45 647	32 684	21 749
TOTAL ASSETS	942 562	901 017	905 088
LIABILITIES			
Total equity	580 945	601 317	569 735
Share capital	23 931	23 931	23 931
Share premium	114 556	114 556	114 556
Cash flow hedging reserve	13 629	48 029	4 986
Hedge costs	8 015	(6 198)	7 514
Capital from merger	(1 073)	(1 073)	(1 073)
Incentive scheme	2 354	2 354	2 354
Other reserve capital	395 679	341 274	341 274
Retained earnings	23 854	78 444	76 193
Long-term liabilities	33 346	130 107	166 592
Interest-bearing bank loans and borrowings	20 376	115 315	159 722
Deferred income tax provision	9 602	11 195	3 149
Provision for post-employment benefits	3 296	3 296	3 283
Accruals	-	-	-
Liabilities under derivative financial instruments	-	-	-
Financial liabilities under lease	72	301	438
Short-term liabilities	328 271	169 593	168 761
Trade and other liabilities	165 985	159 020	156 955
Contractual liabilities	5 431	1 125	1 843
Current part of interest-bearing bank loans and borrowings	153 747	6 051	6 554
Income tax liability	-	-	-
Provisions and accruals	2 741	2 722	2 665
Financial liabilities under lease	367	675	744
Total liabilities	361 617	299 700	335 353
TOTAL LIABILITIES	942 562	901 017	905 088

CASH FLOW STATEMENT

	9 months ended 30 Sept 2018	3 months ended 30 Sept 2018	9 months ended 30 Sept 2017	3 months ended 30 Sept 2017
Cash flows from operating activities				
Period profit/(loss)	(185)	(6 827)	52 624	12 665
Adjustments by:	23 027	18 182	(51 821)	(23 104)
Depreciation	17 223	5 778	16 920	5 696
Foreign exchange (gains)/losses	(1 985)	2 054	(3 535)	(199)
Net interest and dividends	1 447	645	(6 836)	358
(Profit)/loss on investment activities	73	41	91	24
Change in receivables	17 622	25 569	(44 894)	(41 231)
Change in inventory	(15 295)	3 561	(6 781)	133
Change in liabilities, excl. loans and borrowings	10 598	(11 468)	60 480	13 431
Change in prepayments and accruals	530	(979)	(53 370)	(290)
Change in provisions	3 142	(628)	(1 971)	137
Interest tax paid	(11 343)	(6 654)	(21 455)	(4 236)
Current tax recognised in the profit and loss account	1 015	263	9 530	3 073
Other adjustments	-	-	-	-
Net cash from operating activities	22 842	11 355	803	(10 439)
Cash flows from investment activities				
Sale of tangible fixed assets and intangible assets	493	468	222	139
Purchase of tangible fixed assets and intangible assets	(26 305)	(11 549)	(13 494)	(7 166)
Purchase of financial assets	(40 000)	(40 000)	(8 580)	3
Dividends received	485	196	7 796	8
Interest received	849	361	653	224
Loans granted	(2 200)	(200)	(24 101)	(7 056)
Repayment of loans granted	7 392	7 392	30	30
Other inflows	-	-	-	-
Net cash from investment activities	(59 286)	(43 332)	(37 474)	(13 818)
Cash flows from financing activities				
Contributions to capital	-	-	1 371	1 371
Proceeds from loans/borrowings taken out	56 894	53 561	20 974	(33 719)
Repayment of loans/borrowings	(4 274)	(1 446)	(9 210)	68 946
Dividends paid	-	-	(4 780)	-
Interest paid	(2 828)	(1 132)	(1 587)	(615)
Repayment of liabilities under lease	(537)	(172)	(959)	(294)
Net cash from financing activities	49 255	50 811	5 809	35 689
Net increase (decrease) in cash and cash equivalents	12 811	18 834	(30 862)	11 432
Net exchange differences	152	(500)	(18)	(105)
Opening balance of cash	32 684	27 313	52 593	10 212
Closing balance of cash, incl.:	45 647	45 647	21 749	21 749
Restricted cash	-	(763)	-	-

STATEMENT OF CHANGES IN EQUITY for the 9 months ended 30 September 2018

	Share capital	Share premium	Retained earnings	Hedging instruments revaluation reserve	Hedge costs	Other reserve capital	Capital from merger	Incentive scheme	Total
As at 1 January 2018	23 931	114 556	78 444	48 029	(6 198)	341 274	(1 073)	2 354	601 317
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
As at 1 January 2018 after adjustments	23 931	114 556	78 444	48 029	(6 198)	341 274	(1 073)	2 354	601 317
Transfer of retained earnings to reserve capital	-	-	(54 405)	-	-	54 405	-	-	-
Hedge costs in the reporting period	-	-	-	-	14 213	-	-	-	14 213
Hedge accounting	-	-	-	(34 400)	-	-	-	-	(34 400)
Current result	-	-	(185)	-	-	-	-	-	(185)
Comprehensive income for the period	-	-	(185)	(34 400)	14 213	-	-	-	(20 372)
As at 30 June 2018	23 931	114 556	23 854	13 629	8 015	395 679	(1 073)	2 354	580 945

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
As at 1 January 2017	23 901	113 214	120 764	(9 291)	(5 823)	248 859	(1 073)	2 354	492 905
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
As at 1 January 2017 after adjustments	23 901	113 214	120 764	(9 291)	(5 823)	248 859	(1 073)	2 354	492 905
Transfer of retained earnings to reserve capital	-	-	(92 415)	-	-	92 415	-	-	-
Equity increase in connection with implementation of the incentive scheme	30	1 342	-	-	-	-	-	-	1 372
Dividend payment for 2016	-	-	(4 780)	-	-	-	-	-	(4 780)
Hedge costs in the reporting period	-	-	-	-	(375)	-	-	-	(375)
Hedge accounting	-	-	-	57 320	-	-	-	-	57 320
Current result	-	-	54 780	-	-	-	-	-	54 780
Provision for employee benefits	-	-	95	-	-	-	-	-	95
Comprehensive income for the period	-	-	54 875	57 320	(375)	-	-	-	111 820
As at 31 December 2017	23 931	114 556	78 444	48 029	(6 198)	341 274	(1 073)	2 354	601 317

STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017 (CONVERTED)

	Share capital	Share premium	Retained earnings	Hedging instruments revaluation reserve	Hedge costs	Other reserve capital	Capital from merger	Incentive scheme	Total
As at 1 January 2017	23 901	113 214	120 764	(9 291)	(5 823)	248 859	(1 073)	2 354	492 905
Changes to the adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-
As at 1 January 2017 after adjustments	23 901	113 214	120 764	(9 291)	(5 823)	248 859	(1 073)	2 354	492 905
Transfer of retained earnings to reserve capital	-	-	(92 415)	-	-	92 415	-	-	-
Equity increase in connection with implementation of the incentive scheme	30	1 342	-	-	-	-	-	-	1 372
Dividend payment for 2016	-	-	(4 780)	-	-	-	-	-	(4 780)
Hedge costs in the reporting period	-	-	-	-	10 809	-	-	-	10 809
Current result	-	-	-	16 805	-	-	-	-	16 805
Hedge accounting	-	-	52 624	-	-	-	-	-	52 624
Comprehensive income for the period	-	-	52 624	16 805	10 809	-	-	-	80 238
As at 31 September 2017	23 931	114 556	76 193	7 514	4 986	341 274	(1 073)	2 354	569 735

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, 26 November 2018