



FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

Extract of consolidated financial report
for the period ended 30.09.2019

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CONSOLIDATED SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Sales revenue	839 212	809 838	194 776	190 393
Profit (loss) on operating activities	51 167	53 545	11 876	12 588
Profit (loss) before tax	28 265	31 042	6 560	7 298
Net profit attributable to equity owners of the Parent company	17 765	22 479	4 123	5 285
Total comprehensive income for the period	8 821	782	2 047	184
Net cash flow from operating activities	129 465	49 254	30 048	11 580
Net cash flow from investment activities	(22 005)	(163 402)	(5 107)	(38 416)
Net cash flow from financial activities	(99 511)	155 829	(23 096)	36 635
Net increase (decrease) in cash and cash equivalents	7 949	41 681	1 845	9 799
Number of shares	23 930 769	23 930 769	23 930 769	23 930 769
Net profit per share attributable to equity owners of the Parent Company (in PLN/EUR)	0,74	0,94	0,17	0,22
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Total assets	1 594 628	1 649 344	364 603	383 568
Total liabilities	975 548	1 035 731	223 054	240 868
Long-term liabilities	669 627	178 679	153 107	41 553
Short-term liabilities	305 921	857 052	69 947	199 314
Total equity attributable to equity owners of the Parent company	619 066	610 320	141 546	141 935
Share capital	23 931	23 931	23 931	5 565
Book value per share (in PLN/EUR)	25,87	25,50	5,91	5,93

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the 9 months ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Continued operations				
Revenue from sales of goods, products and materials	835 236	262 779	805 019	255 002
Revenue from sales of services	3 976	1 148	1 148	1 294
Sales revenue	839 212	263 927	809 838	256 296
Cost of sales of sold goods, products and materials	(542 858)	(165 813)	(534 281)	(168 003)
Cost of sales of sold services	(2 731)	(704)	(2 790)	(955)
Cost of sales	(545 589)	(166 517)	(537 071)	(168 958)
Gross profit from sales	293 623	97 410	272 767	87 338
Other operating revenue	4 816	938	2 424	873
Costs of sales	(190 158)	(59 972)	(174 203)	(57 552)
General administrative costs	(43 936)	(14 518)	(43 164)	(14 403)
Other operating costs	(11 009)	(2 716)	(4 279)	(1 857)
Profit/(loss) on sale of assets	(2 169)	(2 169)	-	-
Profit on operating activities	51 167	18 973	53 545	14 399
Financial revenue	1 500	(2 466)	561	102
Financial costs	(18 068)	(9 659)	(17 784)	2 052
(Profit)/loss on derivative financial instruments	(1 346)	(432)	(21)	58
Share in the (profit)/ loss of investments valued at equity method	(4 988)	(1 685)	(5 259)	(1 123)
Profit before tax	28 265	4 731	31 042	15 488
Income tax	(10 425)	(3 409)	(8 572)	(622)
Profit on continued operations of the period	17 840	1 322	22 470	14 866
Profit of the period	17 840	1 322	22 470	14 866
Attributable to:				
Shareholders of the Parent Company	17 765	1 236	22 479	14 874
Non-controlling shareholders	75	86	(9)	(8)
Profit on continued operations of the period in PLN:				
- basic	0,75	0,06	0,94	0,62
- diluted	0,75	0,06	0,94	0,62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Profit of the period	17 840	1 322	22 470	14 866
Other net comprehensive income, including:				
Items which in the future will not be reclassified to the profit and loss account	9 469	-	(750)	-
Certificates valuation	9 469	-	(750)	-
Items which in the future may be reclassified to the profit and loss account	(18 488)	(22 769)	(20 938)	20 890
Foreign exchange differences on translation of foreign operations	(58)	131	330	(105)
Hedge accounting	(35 633)	(47 451)	(35 481)	29 131
Hedge costs	13 259	19 241	14 213	(8 136)
Differed tax	3 944	5 306	-	-
Other	-	4	-	-
Total comprehensive income for the period	8 821	(21 447)	782	35 756
Attributable to:				
Shareholders of the Parent Company	8 746	(21 533)	791	35 764
Non-controlling shareholders	75	86	(9)	(8)

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 September 2019	31 December 2018
ASSETS		
Non-current assets	1 163 303	1 186 369
Tangible fixed assets	883 757	876 956
Perpetual perpetuity of ground	-	10 138
Intangible assets	17 019	16 512
Financial assets	94 471	77 714
Real estate investment	54 046	73 991
Assets on deferred tax	114 010	122 309
Receivables due to financial derivative instruments	-	8 749
Current assets	431 325	462 975
Inventory	204 139	215 543
Trade and other receivables	159 237	153 935
Receivables due to financial derivative instruments	7 745	17 146
Income tax receivables	1 336	23 368
Accruals	2 490	6 114
Financial assets	1 894	307
Cash and cash equivalents	54 484	46 562
TOTAL ASSETS	1 594 628	1 649 344
LIABILITIES		
Total equity	619 080	613 613
Equity (attributable to shareholders of the Parent Company), including:	619 066	610 320
Basic equity	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Exchange differences on translation of foreign operations	(145)	(87)
Revaluation reserve from hedging instruments	(29 665)	(495)
Hedge cost	28 427	17 687
Other Revaluation reserves	(45 433)	(54 902)
Incentive Scheme	2 354	2 354
Other reserve capital	484 613	447 132
Retained earnings	40 428	60 144
Capital attributable to non-controlling shareholders	14	3 293
Long-term liabilities	669 627	178 679
Interest-bearing loans and borrowings	474 189	-
Payables to units priced at MPW	455	3 430
Deferred income tax provision	5 957	3 404
Provision for benefits after the employment period	4 069	4 067
Deferred revenues and accruals	152 298	162 075
Financial liabilities due to lease	24 926	969
Liabilities due to financial derivative instruments	5 944	1 918
Other long-term liabilities	1 789	2 816
Short-term liabilities	305 921	857 052
Trade and other liabilities	164 582	165 546
Contract liabilities	1 322	700
Current portion of interest-bearing loans and borrowings	130 445	683 398
Deferred revenues and accruals	2 060	2 126
Provisions	3 166	2 808
Financial liabilities due to lease	2 068	632
Liabilities due to financial derivative instruments	2 278	1 842
Total liabilities	975 548	1 035 731
TOTAL LIABILITIES	1 594 628	1 649 344

CONSOLIDATED CASH FLOW STATEMENT

	For the reporting period ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Cash flows from operating activities				
Profit of the period	17 765	1 236	22 479	14 858
Adjustments by:	111 700	54 303	26 775	14 774
Share in the (profit)/ loss of investments valued at equity method	4 988	1 685	5 259	1 123
(Profit)/loss of non-controlling shareholders	75	86	(9)	8
Depreciation	42 770	14 290	31 794	12 939
Foreign exchange (gains)/losses	6 206	10 358	8 311	(8 301)
Net interest and dividends	11 134	3 635	10 569	5 005
(Profit)/loss on investment activities	2 042	2 146	23	27
Hedge accounting	-	-	21	(58)
Change in receivables	(5 338)	(15 666)	27 332	35 224
Change in inventories	11 404	128	(63 790)	(11 240)
Change in liabilities, excluding loans and borrowings	9 587	10 879	11 833	(12 173)
Change in accruals and deferrals	(6 057)	(4 368)	1 005	(849)
Change in provisions	33	(322)	4 604	(197)
Income tax paid/ tax refund	16 083	23 844	(13 800)	(7 302)
Current tax recognised in the profit and loss account	10 425	3 409	3 477	729
Foreign exchange differences	55	60	24	(111)
Change in assets on deferred tax	8 299	4 298	-	-
Other adjustments	(6)	(159)	122	(50)
Net cash flows from operating activities	129 465	55 539	49 254	29 632
Cash flows from investment activities				
Sale of tangible fixed assets and intangible assets	347	143	713	652
Purchase of tangible fixed assets and intangible assets	(22 672)	(5 280)	(164 161)	(35 110)
Real property investments	(3)	78	(436)	(5)
Sale of financial assets	12 125	12 125	-	-
Purchase of financial assets	(12 527)	(12 127)	-	-
Dividends received	323	-	296	7
Interests received	47	47	186	140
Repayment of borrowings granted	1 500	975	-	-
Borrowings granted	(1 142)	(1 099)	-	-
Other expenditures	(3)	-	-	-
Net cash flows from investing activities	(22 005)	(5 138)	(163 402)	(34 316)
Cash flows from financing activities				
Inflows from loans and borrowings taken out	-	-	193 525	81 895
Repayment of loans and borrowings	(85 126)	(53 333)	(49 289)	(8 965)
Repayment of leasing liabilities	(2 383)	(356)	(542)	(173)
Dividends paid	(1)	(1)	-	-
Interest paid to non-controlling shareholders	(11 997)	(3 765)	(11 226)	(5 151)
Subsidies	-	-	23 361	(500)
Other expenditures	(4)	18	-	-
Net cash flows from financial activities	(99 511)	(57 437)	155 829	67 106
Net increase (decrease) in cash and cash equivalents	7 949	(7 036)	41 681	62 422
Net foreign exchange differences (from the opening balance translation)	(27)	365	533	(542)
Opening balance of cash	46 562	61 155	52 868	33 202
Closing balance of cash, including:	54 484	54 484	95 082	95 082
of limited disposability	122	122	-	(763)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2019

	Attributable to the shareholders of the Parent Company											Total equity
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total	Capital attributable to non-controlling shareholders	
As at 1 January 2019	23 931	114 556	(87)	(54 902)	2 354	60 144	(495)	17 687	447 132	610 320	3 293	613 613
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2019 after adjustments	23 931	114 556	(87)	(54 902)	2 354	60 144	(495)	17 687	447 132	610 320	3 293	613 613
Losses covered out of the reserve capital	-	-	-	-	-	2 534	-	-	(2 534)	-	-	-
Transfer to reserve capital	-	-	-	-	-	(40 015)	-	-	40 015	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Sale of assets	-	-	-	-	-	-	-	-	-	-	(3 353)	(3 353)
Current result	-	-	-	-	-	17 765	-	-	-	17 765	75	17 840
Investment Certificates valuation	-	-	-	9 469	-	-	-	-	-	9 469	-	9 469
Hedge cost for the period	-	-	-	-	-	-	-	18 566	-	18 566	-	18 566
Amount reclassified to sale revenue	-	-	-	-	-	-	(6 009)	(5 307)	-	(11 316)	-	(11 316)
Hedge accounting	-	-	-	-	-	-	(29 624)	-	-	(29 624)	-	(29 624)
Deferred tax regarding hedge accounting	-	-	-	-	-	-	6 463	(2 519)	-	3 944	-	3 944
Foreign exchange differences	-	-	(58)	-	-	-	-	-	-	(58)	-	(58)
Comprehensive income for the period	-	-	(58)	9 469	-	17 765	(29 170)	10 740	-	8 746	75	8 821
As at 30 September 2019	23 931	114 556	(145)	(45 433)	2 354	40 428	(29 665)	28 427	484 613	619 066	14	619 080

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Attributable to the shareholders of the Parent Company											
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs*	Other reserve capital	Total	Capital attributable to non-controlling shareholders	Total equity
As at 1 January 2018 adjusted	23 931	114 556	(586)	(21 142)	2 354	108 251	46 479	-	358 807	632 650	3 311	635 961
Adjustments due to implementing IFRS 9	-	-	-	-	-	6 198	-	(6 198)	-	-	-	-
As at 1 January 2018 after adjustments	23 931	114 556	(586)	(21 142)	2 354	114 449	46 479	(6 198)	358 807	632 650	3 311	635 961
Increase of capital	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Impairment of retained earnings to reserve capital	-	-	-	-	-	(88 325)	-	-	88 325	-	-	-
Provision for benefits after the employment period	-	-	-	-	-	(188)	-	-	-	(188)	-	(188)
Current result	-	-	-	-	-	34 471	-	-	-	34 471	(17)	34 454
Hedge cost for the period	-	-	-	-	-	-	-	32 654	-	32 654	-	32 654
Amount reclassified to sale revenue	-	-	-	-	-	-	(7 981)	(3 166)	-	(11 147)	-	(11 147)
Hedge accounting	-	-	-	-	-	-	(49 493)	-	-	(49 493)	-	(49 493)
Deferred tax regarding hedge accounting	-	-	-	-	-	-	10 500	(5 603)	-	4 897	-	4 897
Investment Certificates valuation	-	-	-	(33 760)	-	-	-	-	-	(33 760)	-	(33 760)
Foreign exchange differences	-	-	499	-	-	(263)	-	-	-	236	-	236
Comprehensive income for the period	-	-	499	(33 760)	-	34 020	(46 974)	23 885	-	(22 330)	(17)	(22 347)
As at 31 December 2018	23 931	114 556	(87)	(54 902)	2 354	60 144	(495)	17 687	447 132	610 320	3 293	613 613

*Change in presentation

Seasonality of operations

	Domestic revenues	Share % in total quarter revenues	Export revenues	Share % in total quarter revenues	Revenues from sales of products, materials, goods and services	Share % in annual revenues
I Q 2019	43 760	14%	275 751	86%	319 511	-
II Q 2019	44 244	17%	211 530	83%	255 774	-
III Q 2019	39 480	15%	224 447	85%	263 927	-
Total 2019	127 484	15%	711 728	85%	839 212	-
I Q 2018	36 254	12%	259 259	88%	295 513	27%
II Q 2018	56 915	22%	201 114	78%	258 029	23%
III Q 2018	53 423	21%	202 873	79%	256 296	23%
IV Q 2018	53 797	18%	243 663	82%	297 460	27%
Total 2018	200 389	18%	906 909	82%	1 107 298	100%

Revenues and costs

Sales revenues

	For the reporting period ended	
Sales revenues	30.09.2019	30.09.2018
Revenues from sales of goods, products and materials		
- products	783 462	774 333
- goods	6 528	6 671
- materials	45 246	24 015
Revenues from sales of services	3 976	4 819
Total net revenues from sales	839 212	809 838
- including from related entities and units priced at MPW	5 573	5 486

Other operating revenues

	For the reporting period ended	
Other operating revenues	30.09.2019	30.09.2018
Reversal of impairment write-downs	1 607	324
Gain on sale of property, plant and equipment	161	54
Subsidies	2 096	1 353
Compensations	790	472
Other	162	221
Total other operating revenues	4 816	2 424

Other operating cost

	For the reporting period ended	
Other operating costs	30.09.2019	30.09.2018
Creation of revaluation write-downs	190	326
Liquidation and impairment write-downs on property, plant and equipment	11	76
Scrapping of inventory	2 198	1 400
Donations	1 773	600
Penalties and compensations	1 657	1 245
Court costs	7	13
Other	5 173	619
Total other operating costs	11 009	4 279

Financial revenues

Financial revenue	For the reporting period ended	
	30.09.2019	30.09.2018
Dividends	323	296
Credit valuation at amortised cost	304	-
Interest	474	265
other	399	-
Financial revenues, total	1 500	561

Financial costs

Financial costs	For the reporting period ended	
	30.09.2019	30.09.2018
Interest on loans and leasing	11 162	9 757
Commission on loans	950	1 361
Exchange differences of financial assets and liabilities	5 311	6 574
Other	645	92
Financial costs, total	18 068	17 784

Costs by type

Costs by type	For the reporting period ended	
	30.09.2019	30.09.2018
Depreciation	42 770	31 794
Consumption of materials and energy	336 782	395 544
External services	161 710	162 019
Taxes and fees	9 874	8 040
Payroll	138 611	132 275
Social insurance and other benefits	33 751	30 403
Other costs by type	7 845	9 897
Costs by type	731 343	769 972
Change in product inventory and accruals	370	(40 234)
Manufacturing cost of products for internal purposes	(2 219)	(1 333)
Costs of sales	(190 158)	(174 203)
General administrative costs	(43 936)	(43 164)
Manufacturing cost of sold products and services	495 400	511 038
Value of goods and materials sold	50 189	26 033
Costs of sales	545 589	537 071

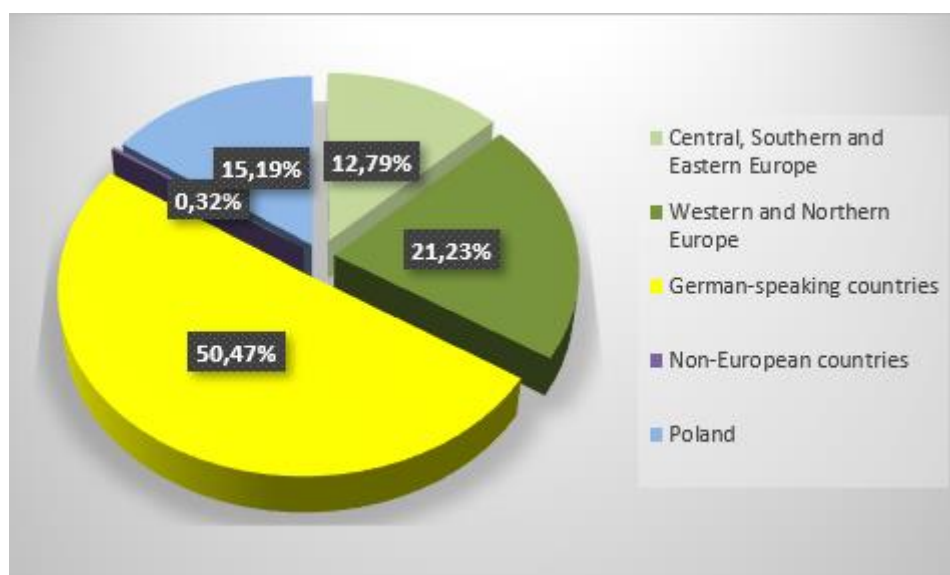
Comments on financial performance of the Fabryki Mebli „FORTE” S.A. Group

Item	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	% change	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018	% change
Sales revenue	839 212	809 838	3.6%	263 927	256 296	3.0%
Cost of sales	(545 589)	(537 071)	1.6%	(166 517)	(168 958)	(1.4%)
Gross profit on sales	293 623	272 767	7.6%	97 410	87 338	11.5%
Gross margin on sales %	35.0%	33.7%		36.9%	34.0%	
Selling costs	(190 158)	(174 203)	9.2%	(59 972)	(57 552)	4.2%
G&A costs	(43 936)	(43 164)	1.8%	(14 518)	(14 403)	0.8%
Operating profit (EBIT)	51 167	53 545	(4.4%)	18 973	14 399	31.8%
EBITDA	93 937	85 339	10.1%	33 263	27 338	21.7%
Share in profit/loss of subsidiaries valued under the equity method	(4 988)	(5 259)	(5.2%)	(1 685)	(1 123)	50.0%
Gross profit	28 265	31 042	(8.9%)	4 731	15 488	(69.5%)
Net profit	17 840	22 470	(20.6%)	1 322	14 866	(91.1%)
Net profit margin %	2.1%	2.8%		0.5%	5.8%	
Return on equity (ROE)	2.9%	3.5%		0.2%	2.3%	
Return on assets (ROA)	1.1%	1.4%		0.1%	0.9%	

• After 3Q 2019, the FORTE Group's **sales revenue** amounted to PLN 839 212 thousand, compared to PLN 809 838 thousand in the corresponding period of 2018 (an increase by 3.6%).

Export sales of the FORTE Group totalled PLN 711 728 thousand – 84.8% of total sales (after 3Q 2018 – PLN 663 246 thousand – 81.9 %). Sales in the Polish market amounted to PLN 127 484 thousand (15.2%) against PLN 146 592 thousand (18.1 %) in the corresponding period of 2018.

The percentage of sales in individual markets was as follows: German-speaking countries 50.47% (49.2% - 3Q 2018), Western and Northern Europe 21.23% (20.2% - 3Q 2018), Poland 15.19% (18.1% - 3Q 2018), Central, Southern and Eastern Europe 12.79% (12.0% - 3Q 2018), non-European countries - 0.32% (0.5% - 3Q 2018).



In 2019, the Group is primarily focused on changing its sales structure and on diversifying its sales markets, which results in a positive impact on the final margin.

Sales of surplus raw board produced by the subsidiary TANNE in the reporting period amounted to PLN 42 122 thousand.

- **Gross margin on sales** stood at a level of 35.0%, which is 1.3 percentage point higher than in the corresponding period last year.

- **Selling costs** totalled PLN 190 158 thousand and increased in terms of numbers compared to 3Q 2018 by PLN 15 955 thousand. The selling costs to revenue ratio increased to 22.7% versus 21.5% in the corresponding period last year.

This increased selling costs to revenue ratio is mainly due to an increase in transport rates and the costs of marketing campaigns for major customers.

In addition, the Group recognised in its selling costs PLN 3 000 thousand of a one-off adjustment with regard to the fees paid for assuming the manufacturer's environmental responsibility for products introduced to the German market in 2018.

G&A costs amounted to PLN 43 936 thousand compared to PLN 43 164 thousand in the corresponding period of 2018. The G&A costs to revenue ratio stood at 5.2% versus 5.3% in the corresponding period. Maintaining G&A costs at a level similar to 2018 was possible due to the implementation of projects contributing to savings in this category of costs by the Group.

- **Operating profit** amounted to PLN 51 167 thousand (6.1% of revenue), compared to PLN 53 545 thousand (6.6% of revenue) in the corresponding period of 2018.

Other operating costs were charged in the reporting period with an amount of PLN 5 000 thousand as expenditure incurred on co-financing the construction of a runway in Suwałki, pursuant to the contract made on 02.08.2017 between the Parent Company and the Town of Suwałki. The total amount covered by the contract is PLN 10 000 thousand. The remaining amount under this contract will be paid in two equal instalments - one in Q4 2019 and the other one in 2020.

In addition, a PLN 2 169 thousand loss on the sale of financial assets of Kwadrat Sp. z o.o. recognised in other operating activities had a one-off impact on lowering the EBIT result in Q3 2019.

- **Result on financial operations** amounted to PLN (-) 16 568 thousand. The most significant items of financial operations include, as classified by the Group, interest costs on loans, which in the reporting period amounted to PLN (-) 11 162 thousand as well as foreign exchange losses, mainly on the valuation of foreign currency loans, in the amount of PLN (-) 5 311 thousand.

- In the reporting period, **net profit** totalled PLN 17 840 thousand (2.1% of revenue), compared to PLN 22 470 thousand in the corresponding period last year (2.8% of revenue).

An additional charge to net profit in 2019 was the release of an asset for tax loss made by the subsidiary Forte Brand Sp. z o.o. in the amount of PLN 2 663 thousand.

Characteristics of balance sheet items	30.09.2019		31.12.2018		% change 2019/2018
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	1 163 303	73%	1 186 369	72%	(1.2%)
Current assets	431 325	27%	462 975	28%	(6.8%)
Total assets	1 594 628	100%	1 649 344	100%	(2.8%)
Equity	619 080	39%	613 613	37%	0.9%
Non-current liabilities and provisions	669 627	42%	178 679	11%	274,8%
Current liabilities and provisions	305 921	19%	857 052	52%	(64.3%)
Total liabilities	1 594 628	100%	1 649 344	100%	(2.8%)

Non-current assets decreased by PLN 23 066 thousand, mainly as a result of the sale of shares held by the Parent Company in KWADRAT Sp. z o. o. with its registered office in Bydgoszcz as well as excess depreciation over capital expenditures incurred in the reporting period. The most significant increase in non-current assets was recorded for land in perpetual usufruct (PLN 23 082 thousand), as a result of the implementation of IFRS 16 amendments as of 1 January 2019.

Current assets decreased by PLN 31 650 thousand.

The most significant decrease in current assets was recorded for income tax receivables (by PLN 22 032 thousand), which resulted from the return of CIT overpaid in 2018, for inventory (by PLN 11 404 thousand) and for derivative receivables (by PLN 9 401 thousand).

On **liabilities** side, there was a significant increase in non-current liabilities under bank loans by PLN 474 189 thousand and under lease contracts by PLN 23 957 thousand.

The increase in non-current liabilities under bank loans is primarily the result of annexes to bank loan agreements concluded by the Parent Company with PKO BP S.A. and ING Bank Śląski, extending the financing period until 2021, as well as the presentation of other bank loans of the Group in accordance with the applicable repayment schedules.

In the comparative period, in connection with the requirements of IAS 1 para. 65, the Group reclassified its non-current liabilities under bank loans as current liabilities as at the balance sheet date. The reason for the reclassification was the conclusion of annexes to bank loan agreements increasing debt ratios after 31 December 2018, i.e. after the balance sheet date. Accordingly, all bank loans were presented under short-term loans and borrowings.

The increase in liabilities under lease contracts is the result of the implementation of IFRS 16 amendments.

The balance of used **bank loans** decreased by PLN 78 764 thousand.

In current liabilities, the main change relates to short-term loans – a decrease by PLN 552 953 thousand - due to the extension of financing periods and a change in the presentation of loan repayments - in accordance with the applicable schedules.

Description of factors and events having a significant impact on the Issuer's financial performance

In addition to the above, the most significant factors and events that affected the results achieved in the reporting period are as follows:

- a gradual change in the furniture sales structure (applies to products, markets and customers) allowing for continued improvement in sales margin;
- a significant increase in operating costs, i.e. an increase in electricity prices (+40% y/y which is approx. 0.9 million / month) and the effect of salary increases (an increase of around +10% per unit), partially compensated by restructuring activities within the Group;
- negative profitability on sales of surplus raw board produced by the subsidiary TANNE, as a result of a difficult demand situation on the market.

The most important factors which, in the opinion of the Management Board, may affect the Group's results in the following months of the year are as follows

- the situation on furniture markets across Europe and on the domestic market,
- further changes in the sales structure aimed at continuous improvement of profitability,
- price competition on the furniture board market,
- stability of prices of other raw materials for both furniture and furniture board production.

SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Sales revenue	804 680	809 079	186 761	190 215
Profit (loss) on operating activities	699	1 504	162	354
Profit (loss) before tax	7 165	3 972	1 663	934
Profit (loss) for the period	4 214	(185)	978	(43)
Total comprehensive income for the period	(12 601)	(20 372)	(2 925)	(4 789)
Net cash flows from operating activities	7 595	22 842	1 763	5 370
Net cash flows from investing activities	(5 940)	(59 286)	(1 379)	(13 938)
Net cash flows from financial activities	(16 845)	49 255	(3 910)	11 580
Net increase (decrease) in cash and cash	(15 190)	12 811	(3 526)	3 012
Number of shares	23 930 769	23 930 769	23 930 769	23 930 769
Net profit (loss) per share (in PLN/EUR)	0,18	(0,01)	0,04	-
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Total assets	901 471	934 973	206 116	217 436
Total liabilities	336 369	357 270	76 909	83 086
Long-term liabilities	188 389	14 811	43 074	3 444
Short-term liabilities	147 980	342 459	33 835	79 642
Total equity	565 102	577 703	129 208	134 350
Share capital	23 931	23 931	5 472	5 565
Book value per share (in PLN/EUR)	23,61	24,14	5,40	5,61

PROFIT AND LOSS ACCOUNT

	For the 9 months ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Continued operations				
Revenue from sales of goods, products and materials	798 370	248 348	802 314	249 243
Revenue from sales of services	6 310	1 883	6 765	2 375
Sales revenue	804 680	250 231	809 079	251 618
Cost of sales of sold goods, products and materials	(553 881)	(170 180)	(575 106)	(179 119)
Cost of sales of sold services	(3 247)	(751)	(3 095)	(1 301)
Cost of sales	(557 128)	(170 931)	(578 201)	(180 420)
Gross profit from sales	247 552	79 300	230 878	71 198
Other operating revenue	2 880	313	1 212	231
Costs of sales	(204 642)	(63 310)	(192 147)	(61 837)
General administrative costs	(34 134)	(11 221)	(34 702)	(11 580)
Other operating costs	(10 957)	(2 706)	(3 737)	(1 464)
Profit/(loss) on operating activities	699	2 376	1 504	(3 452)
Financial revenue	11 230	7 618	5 300	(2 605)
Financial costs	(4 764)	(616)	(2 832)	(1 135)
Profit (loss) before tax	7 165	9 378	3 972	(7 192)
Income tax	(2 951)	(2 408)	(4 157)	365
Profit (loss) on continued operations of the period	4 214	6 970	(185)	(6 827)
Profit (loss) of the period	4 214	6 970	(185)	(6 827)
Attributable to:				
Profit (loss) on continued operations of the period in PLN:				
- basic	0,18	0,29	(0,01)	(0,29)
- diluted	0,18	0,29	(0,01)	(0,29)

STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Profit (loss) of the period	4 214	6 970	(185)	(6 827)
Other net comprehensive income, including:	(16 815)	(22 623)	(20 187)	20 573
Items which in the future may be reclassified to the profit and loss account	(16 815)	(22 623)	(20 187)	20 573
Hedge accounting	(34 018)	(47 170)	(34 400)	28 709
Hedge costs	13 259	19 241	14 213	(8 136)
Differed tax	3 944	5 306	-	-
Total comprehensive income for the period	(12 601)	(15 653)	(20 372)	13 746

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	30 September 2019	31 December 2018
ASSETS		
Non-current assets	566 722	557 049
Tangible fixed assets	278 690	264 465
Perpetual perpetuity of ground	-	10 138
Intangible assets	1 652	1 167
Investment in subsidiaries and entities	268 458	260 974
Loans granted	17 827	21 591
Other long-term receivables	95	103
Receivables due to derivative financial instruments	-	8 749
Current assets	334 749	377 924
Inventory	149 368	140 409
Trade and other receivables	148 219	151 132
Receivables due to derivative financial instruments	7 745	17 119
Income tax receivables	1 336	23 308
Accruals	2 187	5 124
Financial assets	6 356	5 954
Cash and cash equivalents	19 538	34 878
TOTAL ASSETS	901 471	934 973
LIABILITIES		
Equity	565 102	577 703
Share capital	23 931	23 931
Surplus of share sale above their nominal value	114 556	114 556
Revaluation reserve from hedging instruments	(24 289)	3 266
Hedge costs	28 427	17 687
Business combination capital	(1 073)	(1 073)
Incentive Scheme	2 354	2 354
Other reserve capitals	393 145	395 679
Retained earnings	28 051	21 303
Long-term liabilities	188 389	14 811
Interest-bearing loans and borrowings	152 012	-
Deferred income tax provision	5 170	10 166
Provision for benefits after the employment period	3 675	3 675
Liabilities due to derivative financial instruments	2 636	-
Financial liabilities due to lease	24 896	970
Short-term liabilities	147 980	342 459
Trade and other liabilities	132 571	166 217
Contract liabilities	857	699
Current portion of interest-bearing loans and borrowings	9 608	172 111
Provisions	2 764	2 800
Financial liabilities due to lease	2 180	632
Total liabilities	336 369	357 270
TOTAL LIABILITIES	901 471	934 973

CASH FLOW STATEMENT

	For the reporting period ended			
	30 September 2019	3 months ended 30 September 2019	30 September 2018	3 months ended 30 September 2018
Cash flow from operating activity				
Profit/ (loss) of the period	4 214	6 970	(185)	(6 827)
Adjustments by:	3 381	(12 307)	23 027	18 182
Amortisation	19 718	6 615	17 223	5 778
Foreign exchange (profit)/loss	(244)	(873)	(1 985)	2 054
Net interest and dividends	165	962	1 447	645
(Profit)/ Loss on investing activity	(5 738)	(5 634)	73	41
Change in receivables	2 924	(10 908)	17 622	25 569
Change in inventories	(8 959)	(9 554)	(15 295)	3 561
Change in liabilities, excluding loans and borrowings	(28 478)	(19 201)	10 598	(11 468)
Change in prepayments and accruals	2 901	(112)	530	(979)
Change in provisions	(1 051)	(126)	3 142	(628)
Income tax paid	17 969	23 990	(11 343)	(6 654)
Current tax recognised in profit or loss	4 002	2 534	1 015	263
Other	172	-	-	-
Net operating cash flow	7 595	(5 337)	22 842	11 355
Cash flows from investment activities				
Sales of property, plant and equipment and intangible assets	252	48	493	468
Purchases of property, plant and equipment and intangible assets	(11 695)	(1 324)	(26 305)	(11 549)
Purchase of financial assets	(14 000)	(14 000)	(40 000)	(40 000)
Dividends received	3 479	152	485	196
Interest received	193	61	849	361
Borrowings granted	(1 141)	(1 098)	(2 200)	(200)
Repayment of borrowings granted	4 847	2 071	7 392	7 392
Sales of financial assets	12 125	12 125	-	-
Net investment cash flow	(5 940)	(1 965)	(59 286)	(43 332)
Cash flows from financing activities				
Inflow from loans and borrowings taken out	-	(17 041)	56 894	53 561
Repayment of loans and borrowings	(10 530)	(10 530)	(4 274)	(1 446)
Interest paid	(3 997)	(1 234)	(2 828)	(1 132)
Repayment of leasing liabilities	(2 318)	(330)	(537)	(172)
Net financial cash flow	(16 845)	(29 135)	49 255	50 811
Net increase (decrease) in cash and cash equivalents	(15 190)	(36 437)	12 811	18 834
Net foreign exchange differences	150	(196)	(152)	500
Opening balance of cash	34 878	55 779	32 684	27 313
Cash at end of year, including:	19 538	19 538	45 647	45 647
of limited disposability	72	72	-	(763)

STATEMENT OF CHANGES IN EQUITY

for the period ended on 30 September 2019

	Share capital	Supplementary capital from share premium	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2019	23 931	114 556	21 303	3 266	17 687	395 679	(1 073)	2 354	577 703
Changes in adopted accounting principles	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-	-
As at 1 January 2019 after adjustments	23 931	114 556	21 303	3 266	17 687	395 679	(1 073)	2 354	577 703
Losses covered out of the reserve capital	-	-	2 534	-	-	(2 534)	-	-	-
Hedge costs for the period	-	-	-	-	18 566	-	-	-	18 566
Amount reclassified to sale revenue	-	-	-	(6 009)	(5 307)	-	-	-	(11 316)
Hedge accounting	-	-	-	(28 009)	-	-	-	-	(28 009)
Deffered tax	-	-	-	6 463	(2 519)	-	-	-	3 944
Current result	-	-	4 214	-	-	-	-	-	4 214
Comprehensive income for the period	-	-	4 214	(27 555)	10 740	-	-	-	(12 601)
As at 30 September 2019	23 931	114 556	28 051	(24 289)	28 427	393 145	(1 073)	2 354	565 102

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2018

	Share capital	Supplementary capital from share premium	Retained earnings	Revaluation reserve from hedging instruments	Hedge costs*	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2018	23 931	114 556	72 246	48 029	-	341 274	(1 073)	2 354	601 317
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-
Adjustments due to implementing IFRS 9	-	-	6 198	-	(6 198)	-	-	-	-
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
Impairment of retained earnings to reserve capital	-	-	(54 405)	-	-	54 405	-	-	-
Hedge costs for the period	-	-	-	-	32 654	-	-	-	32 654
Amount reclassified to sale revenue	-	-	-	(7 981)	(3 166)	-	-	-	(11 147)
Hedge accounting	-	-	-	(47 282)	-	-	-	-	(47 282)
Deferred tax	-	-	-	10 500	(5 603)	-	-	-	4 897
Provision for benefits after the employment period	-	-	(202)	-	-	-	-	-	(202)
Current result	-	-	(2 534)	-	-	-	-	-	(2 534)
Comprehensive income for the period	-	-	(2 736)	(44 763)	23 885	-	-	-	(23 614)
As at 31 December 2018	23 931	114 556	21 303	3 266	17 687	395 679	(1 073)	2 354	577 703

*Change in presentation

Signature of the person entrusted with bookkeeping:**Chief Accounting
Anna Wilczyńska**

.....

Signatures of all members of the Management Board:**President of the Management Board
Maciej Formanowicz**

.....

**Member of the Management Board
Maria Małgorzata Florczuk**

.....

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

.....

**Member of the Management Board
Mariusz Jacek Gazda**

.....

**Member of the Management Board
Andreas Disch**

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Ostrów Mazowiecka, 25th November, 2019