



FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

Extract of consolidated financial report
for the period ended 31.12.2019

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CONSOLIDATED SELECTED FINANCIAL DATA

| | in thousands of PLN | | in thousands of EUR | |
|----------------------------------------------------------------------------------|---------------------|------------------------|---------------------|------------------------|
| | 31.12.2019 | 31.12.2018 restated | 31.12.2019 | 31.12.2018 restated |
| Sales revenue | 1 176 618 | 1 107 298 | 273 518 | 259 509 |
| Profit on operating activities | 84 237 | 72 503 | 19 582 | 16 992 |
| Profit before tax | 63 329 | 45 530 | 14 722 | 10 671 |
| Net profit attributable to equity owners of the Parent company | 35 230 | 145 816 | 8 190 | 34 174 |
| Total comprehensive income for the period | 48 634 | 88 998 | 11 306 | 20 858 |
| Net cash flow from operating activities | 198 316 | 76 804 | 46 101 | 18 000 |
| Net cash flow from investment activities | (24 618) | (191 896) | (5 723) | (44 973) |
| Net cash flow from financial activities | (165 551) | 108 728 | (38 484) | 25 482 |
| Net increase (decrease) in cash and cash equivalents | 8 147 | (6 364) | 1 894 | (1 491) |
| 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 (in PLN/EUR) | 1.47 | 6.09 | 0.34 | 1.43 |
| | 31.12.2019 | 31.12.2018 adjusted | 31.12.2019 | 31.12.2018 adjusted |
| Total assets | 1 571 021 | 1 649 344 | 368 914 | 383 568 |
| Total liabilities | 789 819 | 913 422 | 185 469 | 212 424 |
| Long-term liabilities | 252 854 | 56 370 | 59 376 | 13 109 |
| Short-term liabilities | 536 965 | 857 052 | 126 093 | 199 314 |
| Total equity attributable to equity owners of the Parent company | 781 185 | 732 629 | 183 441 | 170 379 |
| Share capital | 23 931 | 23 931 | 5 620 | 5 565 |
| Book value per share (in PLN/EUR) | 32,64 | 30,61 | 7,67 | 7,12 |

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | For the period ended | |
|------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------|
| | 31 December 2019 | 31 December 2018 restated |
| Continued operations | | |
| Revenue from sales of goods, products and materials | 1 171 354 | 1 101 077 |
| Revenue from sales of services | 5 264 | 6 221 |
| Sales revenue | 1 176 618 | 1 107 298 |
| Cost of sales of sold goods, products and materials | (748 734) | (732 664) |
| Cost of sales of sold services | (4 472) | (4 128) |
| Cost of sales | (753 206) | (736 792) |
| Gross profit from sales | 423 412 | 370 506 |
| Other operating revenue | 6 336 | 5 275 |
| Costs of sales | (260 763) | (238 568) |
| General administrative costs | (60 808) | (59 342) |
| Other operating costs | (21 771) | (5 368) |
| Result on the sale of subsidiaries | (2 169) | - |
| Profit on operating activities | 84 237 | 72 503 |
| Financial revenue | 4 133 | 3 143 |
| Financial costs | (16 724) | (24 039) |
| Profit (loss) on derivative financial instruments | (1 779) | (508) |
| Share in the profit/ loss of investments valued at equity method | (6 538) | (5 569) |
| Profit before tax | 63 329 | 45 530 |
| Income tax | (28 021) | 100 269 |
| Profit on continued operations of the period | 35 308 | 145 799 |
| Profit of the period | 35 308 | 145 799 |
| Attributable to: | | |
| Shareholders of the Parent Company | 35 230 | 145 816 |
| Non-controlling shareholders | 78 | (17) |
| Profit on continued operations of the period attributable to shareholders of the Parent Company per share in PLN | 1,47 | 6,09 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the reporting period ended | |
|------------------------------------------------------------------------------------------|--------------------------------|------------------------------|
| | 31 December 2019 | 31 December 2018 restated |
| Profit (loss) of the period | 35 308 | 145 799 |
| Other net comprehensive income, including: | 13 326 | (56 801) |
| Items which in the future will not be reclassified to the profit and loss account | 9 588 | (33 948) |
| Certificates valuation | 12 212 | (41 679) |
| Deferred tax regarding certificates valuation | (2 320) | 7 919 |
| Revaluation of employee benefit obligations | (375) | (235) |
| Deferred tax regarding employee benefits | 71 | 47 |
| Items which in the future may be reclassified to the profit and loss account | 3 738 | (22 853) |
| Foreign exchange differences on translation of foreign operations | 102 | 236 |
| Hedge accounting | 10 421 | (46 208) |
| Hedge costs | (5 929) | 28 034 |
| Deferred tax regarding hedge accounting | (856) | (4 915) |
| Total comprehensive income for the period | 48 634 | 88 998 |
| Attributable to: | | |
| Shareholders of the Parent Company | 48 556 | 89 015 |
| Non-controlling shareholders | 78 | (17) |

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

| | 31 December 2019 | 31 December 2018 restated | 1 January 2018 restated |
|--------------------------------------------------------------------------------|---------------------|------------------------------|----------------------------|
| ASSETS | | | |
| Non-current assets | 1 168 776 | 1 186 369 | 1 055 155 |
| Tangible fixed assets | 876 778 | 887 094 | 798 223 |
| Intangible assets | 16 857 | 16 512 | 16 617 |
| Financial assets | 94 963 | 77 714 | 120 382 |
| Real estate investment | 54 780 | 73 991 | 73 270 |
| Assets on deferred tax | 111 484 | 122 309 | 10 964 |
| Investments valued at equity method | 464 | - | 2 266 |
| Receivables due to financial derivative instruments | 13 450 | 8 749 | 33 433 |
| Current assets | 402 245 | 462 975 | 437 845 |
| Inventory | 189 196 | 215 543 | 170 251 |
| Trade and other receivables | 135 373 | 153 935 | 185 911 |
| Receivables due to financial derivative instruments | 16 924 | 17 146 | 18 210 |
| Income tax receivables | 1 697 | 23 368 | 6 402 |
| Accruals | 3 130 | 6 114 | 4 004 |
| Financial assets | 1 534 | 307 | 199 |
| Cash and cash equivalents | 54 391 | 46 562 | 52 868 |
| TOTAL ASSETS | 1 571 021 | 1 649 344 | 1 493 000 |
| LIABILITIES | | | |
| Total equity | 781 202 | 735 922 | 646 925 |
| Equity (attributable to shareholders of the Parent Company), including: | 781 185 | 732 629 | 643 614 |
| Basic equity | 23 931 | 23 931 | 23 931 |
| Surplus of share sale above their nominal value | 114 556 | 114 556 | 114 556 |
| Exchange differences on translation of foreign operations | 15 | (87) | (586) |
| Revaluation reserve from hedging instruments | 7 943 | (495) | 46 479 |
| Hedge cost | 12 885 | 17 687 | (6 198) |
| Other Revaluation reserves | (45 010) | (54 902) | (21 142) |
| Incentive Scheme | 2 354 | 2 354 | 2 354 |
| Other reserve capital | 484 613 | 447 132 | 358 807 |
| Retained earnings | 179 898 | 182 453 | 125 413 |
| Capital attributable to non-controlling shareholders | 17 | 3 293 | 3 311 |
| Long-term liabilities | 252 854 | 56 370 | 562 881 |
| Interest-bearing loans and borrowings | 165 661 | - | 527 749 |
| Payables to units priced at MPW | 0 | 3 430 | 0 |
| Deferred income tax provision | 15 386 | 3 404 | 10 234 |
| Provision for benefits after the employment period | 4 620 | 4 067 | 3 601 |
| Deferred revenues and accruals | 37 773 | 39 766 | 18 771 |
| Financial liabilities due to lease | 24 430 | 969 | 301 |
| Liabilities due to financial derivative instruments | 2 328 | 1 918 | 0 |
| Other long-term liabilities | 2 656 | 2 816 | 2 225 |
| Short-term liabilities | 536 965 | 857 052 | 283 194 |
| Trade and other liabilities | 162 325 | 165 546 | 231 611 |
| Contract liabilities | 640 | 700 | 1 125 |
| Current portion of interest-bearing loans and borrowings | 365 378 | 683 398 | 45 291 |
| Deferred revenues and accruals | 2 059 | 2 126 | 280 |
| Provisions | 2 994 | 2 808 | 2 716 |
| Financial liabilities due to lease | 2 123 | 632 | 679 |
| Liabilities due to financial derivative instruments | 1 446 | 1 842 | 1 492 |
| Total liabilities | 789 819 | 913 422 | 846 075 |
| TOTAL LIABILITIES | 1 571 021 | 1 649 344 | 1 493 000 |

CONSOLIDATED CASH FLOW STATEMENT

| | For the period ended | |
|-------------------------------------------------------------------------|----------------------|------------------------------|
| | 31 December 2019 | 31 December 2018 restated |
| Cash flows from operating activities | | |
| Profit (loss) of the period | 35 230 | 145 816 |
| Adjustments by: | 163 086 | (69 012) |
| Share in the profit/ loss of investments valued at equity method | 6 538 | 5 569 |
| (Profit)/loss of non-controlling shareholders | 78 | (17) |
| Depreciation | 57 074 | 44 989 |
| Foreign exchange (gains)/losses | (3 801) | 11 407 |
| Net interest and dividends | 13 866 | 12 270 |
| (Profit)/loss on investment activities | 2 049 | 114 |
| Change in the valuation of derivative financial instruments | 27 | 30 |
| Change in receivables | 18 526 | 27 180 |
| Change in inventories | 21 282 | (45 292) |
| Change in liabilities, excluding loans and borrowings | 5 741 | 335 |
| Change in accruals and deferrals | 869 | (3 575) |
| Change in provisions | 588 | (111 611) |
| Income tax paid | 13 405 | (21 232) |
| Current tax recognised in the profit and loss account | 28 021 | 11 076 |
| Foreign exchange differences | (58) | 92 |
| Provision for retirement benefits | (304) | (188) |
| Valuation of the real estate investment | (734) | (281) |
| Other adjustments | (81) | 122 |
| Net cash flows from operating activities | 198 316 | 76 804 |
| Cash flows from investment activities | | |
| Sale of tangible fixed assets and intangible assets | 478 | 669 |
| Inflows from the sale of subsidiaries | 12 125 | - |
| Purchase of tangible fixed assets and intangible assets | (23 689) | (193 822) |
| Real property investments | (3) | (440) |
| Purchase of financial assets | (14 682) | (206) |
| Dividends received | 331 | 296 |
| Interest received | 1 963 | 1 607 |
| Borrowings granted | (1 141) | - |
| Net cash flows from investing activities | (24 618) | (191 896) |
| Cash flows from financing activities | | |
| Inflows from loans and borrowings taken out | - | 213 066 |
| Repayment of loans and borrowings | (147 087) | (112 728) |
| Repayment of leasing liabilities | (3 028) | (680) |
| Interest paid | (15 436) | (15 236) |
| Subsidies | - | 24 306 |
| Net cash flows from financial activities | (165 551) | 108 728 |
| Net increase (decrease) in cash and cash equivalents | 8 147 | (6 364) |
| Net foreign exchange differences (from the opening balance translation) | (318) | 58 |
| Opening balance of cash | 46 562 | 52 868 |
| Closing balance of cash, including: | 54 391 | 46 562 |
| of limited disposability | 51 | 168 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

| | 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 | Foreign exchange differences on consolidation Equity of non-controlling interest | Other revaluation reserve Total equity |
| As at 1 January 2019 | 23 931 | 114 556 | (87) | (54 902) | 2 354 | 60 144 | (495) | 17 687 | 447 132 | 732 629 | 3 293 | 613 613 |
| Changes in Accounting Principles (Policy) IFRS 12 | - | - | - | - | - | 122 309 | - | - | - | - | - | 122 309 |
| As at 1 January 2019 after adjustments | 23 931 | 114 556 | (87) | (54 902) | 2 354 | 182 453 | (495) | 17 687 | 447 132 | 732 629 | 3 293 | 735 922 |
| Impairment of retained earnings to reserve capital | - | - | - | - | - | 2 534 | - | - | (2 534) | - | - | - |
| Reclassification to reserve capital | - | - | - | - | - | (40 015) | - | - | 40 015 | - | - | - |
| Payment of dividend for 2018 | - | - | - | - | - | - | - | - | - | - | (1) | (1) |
| Sale of shares in a subsidiary | - | - | - | - | - | - | - | - | - | - | (3 353) | (3 353) |
| Provision for benefits after the employment period | - | - | - | - | - | (304) | - | - | - | (304) | - | (304) |
| Current result | - | - | - | - | - | 35 230 | - | - | - | 35 230 | 78 | 35 308 |
| Hedge cost for the period | - | - | - | - | - | - | - | 3 304 | - | 3 304 | - | 3 304 |
| Amount reclassified to sale revenue | - | - | - | - | - | - | (8 409) | (9 233) | - | (17 642) | - | (17 642) |
| Hedge accounting | - | - | - | - | - | - | 18 830 | - | - | 18 830 | - | 18 830 |
| Deferred tax regarding hedge accounting | - | - | - | - | - | - | (1 983) | 1 127 | - | (856) | - | (856) |
| Investment Certificates | - | - | - | 9 892 | - | - | - | - | - | 9 892 | - | 9 892 |
| Foreign exchange differences | - | - | 102 | - | - | - | - | - | - | 102 | - | 102 |
| Comprehensive income for the period | - | - | 102 | 9 892 | - | 34 926 | 8 438 | (4 802) | - | 48 556 | 78 | 48 634 |
| As at 31 December 2019 | 23 931 | 114 556 | 15 | (45 010) | 2 354 | 179 898 | 7 943 | 12 885 | 484 613 | 781 185 | 17 | 781 202 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

| | Attributable to the shareholders of the Parent Company | | | | | | | | | | Foreign exchange differences on consolidation Equity of non-controlling interest | Other revaluation reserve Total equity |
|----------------------------------------------------|--------------------------------------------------------|----------------|-------------------------------------------------|---------------------------|------------------|-------------------|----------------------------------------------|----------------|-----------------------|-----------------|----------------------------------------------------------------------------------|----------------------------------------|
| | Share capital | Share premium | Foreign exchange difference s on consolidati on | Other revaluation reserve | Incentive Scheme | Retained earnings | Revaluation reserve from hedging instruments | Hedge costs | Other reserve capital | Total | | |
| As at 1 January 2018 | 23 931 | 114 556 | (586) | (21 142) | 2 354 | 108 251 | 46 479 | - | 358 807 | 632 650 | 3 311 | 635 961 |
| adjusted | | | | | | | | | | | | |
| Changes in Accounting Principles (Policy) | - | - | - | - | - | - | - | - | - | - | - | - |
| Error adjustments | - | - | - | - | - | 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 due to incentives program | - | - | - | - | - | - | - | - | - | - | (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 | - | - | - | - | - | - | - | 24 867 | - | 24 867 | - | 24 867 |
| Amount reclassified to sale revenue | - | - | - | - | - | - | 7 981 | 3 166 | - | 11 147 | - | 11 147 |
| Hedge accounting | - | - | - | - | - | - | (54 189) | - | - | (54 189) | - | (54 189) |
| Deferred tax regarding hedge accounting | - | - | - | - | - | - | (766) | (4 149) | - | (4 915) | - | (4 915) |
| Investment Certificates | - | - | - | (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 | - | (22 390) | (17) | (22 347) |
| As at 31 December 2018 | 23 931 | 114 556 | (87) | (54 902) | 2 354 | 60 144 | (495) | 17 687 | 447 132 | 610 260 | 3 293 | 613 613 |

Commentary to the Group results and basic economic-financial amounts

Financial data of the Fabryki Mebli „FORTE” S.A. Group

| Item | 2019 | 2018 restated | 2018 published | % change 2019/2018 restated |
|---------------------------------------------------------------------|-----------|---------------|----------------|-----------------------------|
| Sales revenue | 1 176 618 | 1 107 298 | 1 107 298 | 6.3% |
| Cost of sales | (753 206) | (736 792) | (736 792) | 2.2% |
| Gross profit on sales | 423 412 | 370 506 | 370 506 | 14.3% |
| Gross margin on sales % | 36.0% | 33.5% | 33.5% | |
| Selling costs | (260 763) | (238 568) | (238 568) | 9.3% |
| G&A costs | (60 808) | (59 342) | (59 342) | 2.5% |
| Operating profit (EBIT) | 84 237 | 72 503 | 72 503 | 16.2% |
| EBITDA | 141 311 | 117 492 | 117 492 | 20.3% |
| Share in profit/loss of subsidiaries valued under the equity method | (6 538) | (5 569) | (5 569) | 17.4% |
| Gross profit | 63 329 | 45 530 | 45 530 | 39.1% |
| Net profit | 35 308 | 145 799 | 34 454 | (75.8%) |
| Net profit margin | 3.0% | 13.2% | 3.1% | |
| Return on equity (ROE) | 4.5% | 19.8% | 5.6% | |
| Return on assets (ROA) | 2.2% | 8.8% | 2.3% | |

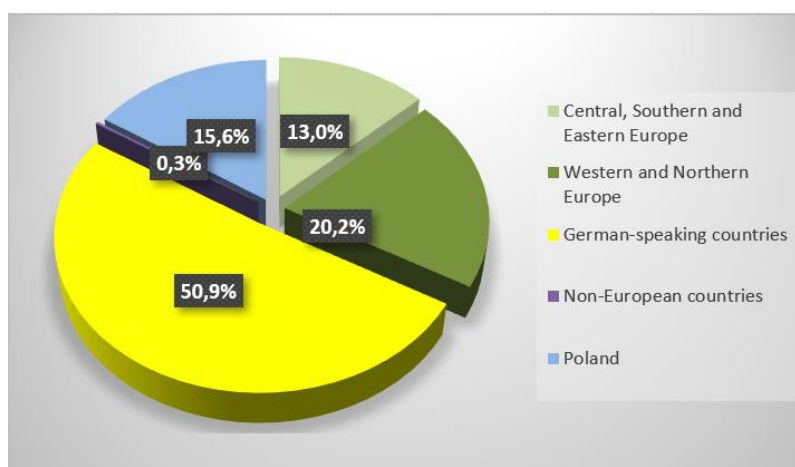
The completed year 2019 was a year of consolidation in which the Group focused primarily on the profitability of its operations at all levels, while maintaining sales at a stable level.

In 2019, **sales revenue** amounted to PLN 1 176 618 thousand and was higher by 6.3% (in terms of value by PLN 69 320 thousand) as compared to the previous year.

Furniture sales were 4% higher than in 2018, with a 2% increase in volume. In addition, due to the sale of raw board outside the Group in 2019, the consolidated revenue was 6% higher than in 2018.

Export sales of the FORTE Group totalled PLN 992 906 thousand – 84.4% of total sales (in 2018 – PLN 906 909 thousand – 81.9%). Sales in the Polish market amounted to PLN 183 712 thousand (15.6%) against PLN 200 389 thousand (18.1%) in the corresponding period of 2018.

The percentage of sales in individual markets was as follows: German-speaking countries 50.9% (49.7% - 2018), other countries of Western and Northern Europe 20.2% (19.8% - 2018), Poland 15.6% (18.1% - 2018), Central and Southern Europe 13.0% (12.0% - 2018), non-European countries 0.3%.



In 2019, the Group focused its sales activities mainly on changing the structure of product sales and on diversifying sales markets, which had a positive impact on the final margin. It should also be emphasized that despite strongly negative cost factors, outside the control of the Group, i.e. an increase in energy prices by 40% and pressure to increase salaries, thanks to actions taken by the Group as part of the reorganization of the entire value chain, the unit cost of producing one pack (excluding raw materials) was lower than in 2018, and in Q4, it dropped to the level of 2016, which was a record-breaking year in the history of FORTE. As a result, **gross margin on sales** achieved the level of 36.0%, which is 2.53 percentage point higher than last year.

Selling costs - the selling costs to revenue ratio amounted to 22.2%, versus 21.5% in the corresponding period last year. In terms of value, selling costs increased by PLN22 195 thousand.

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

Additionally, the Group recognised in its selling costs in 2019 a one-off adjustment of PLN 3 000 thousand relating to the fees paid for assuming the manufacturer's environmental responsibility for products introduced to the German market in 2018.

G&A costs – the G&A costs to revenue ratio stood at 5.2%, versus 5.4% last year.

It was possible to maintain G&A costs at a level similar to 2018 due to the implementation of projects contributing to savings in this category of costs.

Operating profit amounted to PLN 84 237 thousand (7.2% of revenue), compared to PLN 72 503 thousand (6.5% of revenue) in 2018.

Other operating costs were charged in the reporting period with an amount of PLN 7 500 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 last tranche of payments under this contract will be made in Q1 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 EBIT in Q3 2019.

Result on financial operations amounted to PLN (-) 12 591 thousand. The negative result was particularly affected by an increase in the cost of interest and commissions on loans taken by the Group (PLN 16 116 thousand). The result on financial operations was positively influenced by exchange rate differences amounting to PLN 2 097 thousand.

In the reporting period, **net profit** totalled PLN 35 308 thousand (3.0% of revenue), compared to PLN 34 454 thousand (3.1% of revenue) in 2018.

An additional burden on 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. The net profit of the comparative period was adjusted by PLN 111 345 thousand due to creation, in accordance with IAS 12, of deferred tax assets for future tax benefits to be used by subsidiaries operating in Special Economic Zones.

Financial data of Fabryki Mebli „FORTE” S.A.

| Item | 2019 | 2018 restated | 2018 published | % change 2019/2018 restated |
|-------------------------|-----------|------------------|-------------------|-----------------------------------|
| Sales revenue | 1 127 425 | 1 095 082 | 1 095 082 | 3.0% |
| Cost of sales | (768 952) | (780 480) | (780 480) | (1.5%) |
| Gross profit on sales | 358 473 | 314 602 | 314 602 | 13.9% |
| Gross margin on sales % | 31.8% | 28.7% | 28.7% | |
| Selling costs | (282 366) | (263 313) | (263 313) | 7.2% |
| G&A costs | (48 880) | (48 219) | (48 219) | 1.4% |
| Operating profit (EBIT) | 8 910 | 50 | 50 | 17720.0% |
| EBITDA | 35 217 | 23 228 | 23 228 | 51.6% |
| Gross profit | 4 974 | (3 310) | 2 471 | 250.3% |
| Net profit | (3 134) | (8 315) | (2 534) | 62.3% |
| Net profit margin | (0.3%) | (0.8%) | (0.2%) | |
| Return on equity (ROE) | (0.6%) | (1.5%) | (0.4%) | |
| Return on assets (ROA) | (0.3%) | (0.9%) | (0.3%) | |

Due to the current structure of the FORTE Group, in which vertical integration of the added value chain is spread across individual companies, the Management Board does not comment on the above separate financial data, as the analysis of separate financial statements of the Parent Company does not make full economic sense.

Characteristics of assets and liabilities

Financial data of the Fabryki Mebli „FORTE” S.A. Group

| LIQUIDITY AND EFFICIENCY ANALYSIS | 2019 | 2018 restated | 2018 published |
|---------------------------------------------------------------------------|------|---------------|----------------|
| Current ratio (current assets/current liabilities) | 0.7 | 0.5 | 0.5 |
| Quick ratio (current assets – inventories/current liabilities) | 0.4 | 0.3 | 0.3 |
| Receivable turnover in days (average trade receivables*365/sales revenue) | 32 | 40 | 40 |
| Inventory turnover in days (average inventories*365/cost of sales) | 98 | 96 | 96 |
| Liability turnover in days (average trade liabilities*365/cost of sales) | 43 | 42 | 42 |
| Current asset turnover in days (average current assets*365/sales revenue) | 134 | 148 | 148 |

| Characteristics of balance sheet items | 2019 | | 2018 restated | | 2018 published | | % change 2019/2018 restated |
|----------------------------------------|------------------|--------------------------|------------------|--------------------------|------------------|--------------------------|-----------------------------|
| | PLN '000 | % of balance sheet total | PLN '000 | % of balance sheet total | PLN '000 | % of balance sheet total | |
| Non-current assets | 1 168 776 | 74% | 1 186 369 | 72% | 1 186 369 | 72% | (1.5%) |
| Current assets | 402 245 | 26% | 462 975 | 28% | 462 975 | 28% | (13.1%) |
| Total assets | 1 571 021 | 100% | 1 649 344 | 100% | 1 649 344 | 100% | (4.7%) |
| Equity | 781 202 | 50% | 735 922 | 45% | 613 613 | 37% | 6.2% |
| Non-current liabilities and provisions | 252 854 | 16% | 56 370 | 3% | 178 679 | 11% | 348.6% |
| Current liabilities and provisions | 536 965 | 34% | 857 052 | 52% | 857 052 | 52% | (37.3%) |
| Total equity and liabilities | 1 571 021 | 100% | 1 649 344 | 100% | 1 649 344 | 100% | (4.7%) |

Non-current assets decreased by PLN 17 593 thousand, mainly as a result of partial use of deferred tax asset in respect of tax relief which could be used in connection with TANNE Sp. z o.o. and DYSTRI-FORTE Sp. z o.o. conducting their business activities in the Special Economic Zone (PLN 10 825 thousand), as well as in connection with a decrease in the value of investment property in the amount of PLN 19 211 thousand, due to the disposal of shares in the subsidiary Kwadrat Sp. z o.o., which was partially compensated by an increase in the value of financial assets in the amount of PLN 17 249 thousand.

In **current assets**, the most significant decrease was recorded for inventories (PLN 26 347 thousand), income tax receivables (PLN 21 671 thousand) and trade and other receivables (PLN 18 562 thousand). Cash increased by PLN 7 829 thousand.

On **liabilities** side, the most significant changes relate to: an increase in non-current liabilities under bank loans by PLN 165 661 thousand and a decrease in current liabilities under bank loans by PLN 318 020 thousand, an increase in other reserves by PLN 37 481 thousand and an increase in financial liabilities under lease contracts as a result of the first application of IFRS 16.

In current liabilities under bank loans, the amount of PLN 278 524 thousand relates to a reclassified loan taken by TANNE Sp. z o.o., which will be repaid in accordance with the schedule of the bank loan agreement, and its presentation in current liabilities complies with the requirements of IAS 1 described in more detail in note 8 of this report.

An increase in non-current liabilities under bank loans primarily results from concluding annexes to bank loan agreements between the Parent Company and PKO BP S.A., ING Bank Śląski and mBank S.A., extending the financing period until 2021.

Financial data of Fabryki Mebli „FORTE” S.A.

| LIQUIDITY AND EFFICIENCY ANALYSIS | 2019 | 2018 restated | 2018 published |
|---------------------------------------------------------------------------|------|---------------|----------------|
| Current ratio (current assets/current liabilities) | 2.0 | 1.1 | 1.1 |
| Quick ratio (current assets – inventories/current liabilities) | 1.2 | 0.7 | 0.7 |
| Receivable turnover in days (average trade receivables*365/sales revenue) | 33 | 40 | 40 |
| Inventory turnover in days (average inventories*365/cost of sales) | 66 | 67 | 67 |
| Liability turnover in days (average trade liabilities*365/cost of sales) | 48 | 45 | 45 |
| Current asset turnover in days (average current assets*365/sales revenue) | 116 | 127 | 127 |

| Characteristics of balance sheet items | 2019 | | 2018 restated | | 2018 published | | % change 2019/2018 restated |
|----------------------------------------|----------------|--------------------------|----------------|--------------------------|----------------|--------------------------|-----------------------------|
| | PLN '000 | % of balance sheet total | PLN '000 | % of balance sheet total | PLN '000 | % of balance sheet total | |
| Non-current assets | 587 511 | 63% | 545 039 | 59% | 557 049 | 60 % | 7.8% |
| Current assets | 339 460 | 37% | 377 924 | 41% | 377 924 | 40 % | (10.2%) |
| Total assets | 926 971 | 100% | 922 963 | 100% | 934 973 | 100% | 0.4% |
| Equity | 566 011 | 61% | 565 693 | 61% | 577 703 | 62 % | 0.1% |
| Non-current liabilities and provisions | 194 196 | 21% | 14 811 | 2% | 14 811 | 2 % | 1211.2% |
| Current liabilities and provisions | 166 764 | 18% | 342 459 | 37% | 342 459 | 36 % | (51.3%) |
| Total equity and liabilities | 926 971 | 100% | 922 963 | 100% | 934 973 | 100% | 0.4% |

Non-current assets rose by PLN 42 472 thousand, mainly as a result of an increase in tangible fixed assets in the amount of PLN 9 469 thousand, an increase in the value of investments in subsidiaries and jointly controlled entities in the amount of PLN 37 486 thousand, a decrease in the value of loans granted to subsidiaries totalling PLN 6 332 thousand, as well as an increase in derivative receivables amounting to PLN 4 701 thousand.

An increase in the value of investments in subsidiaries is due to the recapitalisation of the subsidiary FORTE FURNITURE PRODUCTS INDIA Ltd amounting to PLN 2 155 thousand and the subsidiary FORTE BRAND Sp. z o.o. totalling PLN 44 000 thousand.

In **current assets**, a decrease was recorded mainly for trade and other receivables (PLN 21 399 thousand) and for income tax receivables (PLN 21 617 thousand). Corporate income tax receivables decreased as the Company received an income tax refund. The overpayment results from the use of a simplified form of settlements based on the profit earned in previous years.

On **liabilities** side, in the equity part, the most significant change relates to an increase in the reserves used for cash flow hedging (PLN 8 454 thousand).

In non-current liabilities, an increase was recorded mainly for liabilities under bank loans and borrowings (PLN 152 468 thousand) and for financial liabilities under lease contracts (PLN 23 446 thousand). The change in financial liabilities under lease contracts is related to the first application of IFRS 16.

The increase in non-current liabilities under bank loans primarily results from concluding annexes to bank loan agreements between the Company and PKO BP S.A., ING Bank Śląski and mBank S.A., extending the financing period until 2021.

Current liabilities decreased for items related to the current part of interest-bearing bank loans and borrowings (PLN 172 111 thousand) and for trade and other liabilities (PLN 5 051 thousand).

SELECTED FINANCIAL DATA

| | in thousands of PLN | | in thousands of EUR | |
|------------------------------------------------------|---------------------|------------------------|---------------------|------------------------|
| | 31.12.2019 | 31.12.2018 restated | 31.12.2019 | 31.12.2018 restated |
| Sales revenue | 1 127 425 | 1 095 082 | 262 082 | 256 646 |
| Profit on operating activities | 8 910 | 50 | 2 071 | 12 |
| Profit before tax | 4 974 | (3 310) | 1 156 | (776) |
| Loss for the period | (3 134) | (8 315) | (729) | (1 949) |
| Total comprehensive income for the period | 318 | (29 309) | 74 | (8 869) |
| Net cash flows from operating activities | 73 816 | 28 799 | 17 159 | 6 749 |
| Net cash flows from investing activities | (36 621) | (72 883) | (8 513) | (17 081) |
| Net cash flows from financial activities | (27 127) | 45 778 | (6 306) | 10 729 |
| Net increase (decrease) in cash and cash equivalents | 10 068 | 1 694 | 2 340 | 397 |
| Number of shares | 23 930 769 | 23 930 769 | 23 930 769 | 23 930 769 |
| Declared or paid dividend per share (in PLN/EUR) | 0,00 | 0,00 | 0,00 | 0,00 |
| Net loss per share (in PLN/EUR) | (0,13) | (0,35) | (0,03) | (0,08) |
| | 31.12.2019 | 31.12.2018 restated | 31.12.2019 | 31.12.2018 restated |
| Total assets | 926 971 | 922 963 | 217 675 | 214 643 |
| Total liabilities | 360 960 | 357 270 | 84 762 | 83 086 |
| Long-term liabilities | 194 196 | 14 811 | 45 602 | 3 444 |
| Short-term liabilities | 166 764 | 342 459 | 39 160 | 79 642 |
| Total equity | 566 011 | 565 693 | 132 913 | 131 557 |
| Share capital | 23 931 | 23 931 | 5 620 | 5 565 |
| Book value per share (in PLN/EUR) | 23,65 | 26,64 | 5,55 | 5,50 |

PROFIT AND LOSS ACCOUNT

| | For the period ended | |
|------------------------------------------------------------------|----------------------|------------------------------|
| | 31 December 2019 | 31 December 2018 restated |
| Continued operations | | |
| Revenue from sales of products, goods and materials | 1 117 923 | 1 084 745 |
| Revenue from sales of services | 9 502 | 10 337 |
| Sales revenue | 1 127 425 | 1 095 082 |
| Cost of sales of sold products, goods and materials | (765 041) | (776 332) |
| Cost of sales of sold services | (3 911) | (4 148) |
| Cost of sales | (768 952) | (780 480) |
| Gross profit from sales | 358 473 | 314 602 |
| Other operating revenue | 3 050 | 1 535 |
| Costs of sales | (282 366) | (263 313) |
| General administrative costs | (48 880) | (48 219) |
| Other operating costs | (21 367) | (4 555) |
| Operating profit | 8 910 | 50 |
| Financial revenue | 10 065 | 6 367 |
| Financial costs | (7 464) | (4 158) |
| Share in the profit/ loss of investments valued at equity method | (6 537) | (5 569) |
| Profit (loss) before tax | 4 974 | (3 310) |
| Income tax | (8 108) | (5 005) |
| Loss on continued operations of the period | (3 134) | (8 315) |
| Loss of the period | (3 134) | (8 315) |
| Loss per share for the period (in PLN): | | |
| - basic | (0,13) | (0,35) |
| - diluted | (0,13) | (0,35) |

STATEMENT OF COMPREHENSIVE INCOME

| | For the period ended | |
|-----------------------------------------------------------------------------------------|----------------------|------------------------------|
| | 31 December 2019 | 31 December 2018 restated |
| Loss of the period | (3 134) | (8 315) |
| Other net comprehensive income, including: | 3 452 | (20 994) |
| Items which in the future may not be reclassified to the profit and loss account | (315) | (202) |
| Revaluation of employee benefit obligations | (388) | (249) |
| Deferred tax regarding employee benefits | 73 | 47 |
| Items which in the future may be reclassified to the profit and loss account | 3 650 | (20 878) |
| Hedge accounting | 10 435 | (55 263) |
| Hedge cost | (5 929) | 29 488 |
| Deferred tax | (856) | 4 897 |
| Exchange differences from translation of subsidiary | 117 | 86 |
| Total comprehensive income for the period | 318 | (29 309) |

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

| | 31 December 2019 | 31 December 2018 restated | 1 January 2018 restated |
|----------------------------------------------------------|---------------------|------------------------------|----------------------------|
| ASSETS | | | |
| Non-current assets | 587 511 | 545 039 | 511 966 |
| Tangible fixed assets | 273 934 | 264 465 | 245 444 |
| Intangible assets | 1 496 | 1 167 | 1 330 |
| Investment in subsidiaries and entities | 289 880 | 252 394 | 154 394 |
| Loans granted | 8 197 | 14 529 | 68 138 |
| Investments valued at equity method | 466 | 3 632 | 9 115 |
| Other long-term receivables | 88 | 103 | 112 |
| Receivables due to derivative financial instruments | 13 450 | 8 749 | 33 433 |
| Current assets | 339 460 | 377 924 | 382 736 |
| Reserves | 138 507 | 140 409 | 145 932 |
| Trade and other receivables | 129 733 | 151 132 | 164 133 |
| Receivables due to derivative financial instruments | 16 924 | 17 119 | 18 210 |
| Income tax receivables | 1 691 | 23 308 | 6 398 |
| Accruals | 1 997 | 5 124 | 3 028 |
| Loans granted | 5 967 | 5 954 | 12 351 |
| Cash and cash equivalents | 44 641 | 34 878 | 32 684 |
| TOTAL ASSETS | 926 971 | 922 963 | 894 702 |
| LIABILITIES | | | |
| Equity | 566 011 | 565 693 | 595 002 |
| Share capital | 23 931 | 23 931 | 23 931 |
| Surplus of share sale above their nominal value | 114 556 | 114 556 | 114 556 |
| Revaluation reserve from hedging instruments | 11 718 | 3 266 | 48 029 |
| Hedge costs | 12 885 | 17 687 | (6 198) |
| Business combination capital | (1 073) | (1 073) | (1 073) |
| Incentive Scheme | 2 354 | 2 354 | 2 354 |
| Other reserve capitals | 393 145 | 395 679 | 341 274 |
| Retained earnings | 9 039 | 9 954 | 73 139 |
| Exchange differences from translation | (544) | (661) | (1 010) |
| Long-term liabilities | 194 196 | 14 811 | 130 107 |
| Interest-bearing loans and borrowings | 152 468 | - | 115 315 |
| Deferred income tax provision | 13 125 | 10 166 | 11 195 |
| Provision for benefits after the employment period | 4 187 | 3 675 | 3 296 |
| Financial liabilities due to lease | 24 416 | 970 | 301 |
| Short-term liabilities | 166 764 | 342 459 | 169 593 |
| Trade and other liabilities | 161 166 | 166 217 | 159 020 |
| Contract liabilities | 582 | 699 | 1 125 |
| Current portion of interest-bearing loans and borrowings | - | 172 111 | 6 051 |
| Provisions | 2 977 | 2 800 | 2 722 |
| Financial liabilities due to lease | 2 039 | 632 | 675 |
| Total liabilities | 360 960 | 357 270 | 299 700 |
| TOTAL LIABILITIES | 926 971 | 922 963 | 894 702 |

CASH FLOW STATEMENT

| | 31 December 2019 | 31 December 2018 restated |
|------------------------------------------------------------------|-------------------------|--------------------------------------|
| Cash flow from operating activity | | |
| Profit/ (loss) of the period | (3 134) | (8 315) |
| Adjustments by: | 76 950 | 37 114 |
| Share in the profit/ loss of investments valued at equity method | 6 537 | 5 569 |
| Depreciation | 26 307 | 23 178 |
| Foreign exchange (profit)/loss | (362) | (2 543) |
| Net interest and dividends | 1 305 | 2 616 |
| (Profit)/ Loss on investing activity | (5 731) | 114 |
| Change in receivables | 21 415 | 13 010 |
| Change in inventories | 1 900 | 5 523 |
| Change in liabilities, excluding loans and borrowings | (1 815) | 4 531 |
| Change in prepayments and accruals | 3 062 | (2 055) |
| Income tax paid | 15 686 | (18 000) |
| Current tax recognised in profit or loss | 8 108 | 5 005 |
| Provision for retirement benefits | 366 | 166 |
| Other | 172 | - |
| Net operating cash flow | 73 816 | 28 799 |
| Cash flows from investment activities | | |
| Sales of property, plant and equipment and intangible assets | 252 | 493 |
| Purchases of property, plant and equipment and intangible assets | (11 722) | (39 102) |
| Purchase of financial assets | (46 155) | (98 000) |
| Dividends received | 3 487 | 485 |
| Interest received | 246 | 1 115 |
| Borrowings granted | (1 141) | (2 210) |
| Repayment of borrowings granted | 6 287 | 64 336 |
| Result on the sale of subsidiaries | 12 125 | - |
| Net investment cash flow | (36 621) | (72 883) |
| Cash flows from financing activities | | |
| Inflow from loans and borrowings taken out | - | 62 824 |
| Repayment of loans and borrowings | (18 942) | (12 221) |
| Dividends paid | - | - |
| Interest paid | (5 247) | (4 151) |
| Repayment of leasing liabilities | (2 938) | (674) |
| Net financial cash flow | (27 127) | 45 778 |
| Net increase in cash and cash equivalents | 10 068 | 1 694 |
| Net foreign exchange differences | (305) | (500) |
| Opening balance of cash | 34 878 | 32 684 |
| Cash at end of year, including: | 44 641 | 34 878 |
| of limited disposability | 10 | 160 |

STATEMENT OF CHANGES IN EQUITY

for the period ended on 31 December 2019

| | Share capital | Supplementary capital from share premium | Retained earnings/ (accumulated loss) | Exchange differences from translation | 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 (policy) | - | - | (11 349) | (661) | - | - | - | - | - | (12 010) |
| As at 1 January 2019 after adjustments | 23 931 | 114 556 | 9 954 | (661) | 3 266 | 17 687 | 395 679 | (1 073) | 2 354 | 565 693 |
| Impairment of retained earnings to reserve capital | - | - | 2 534 | - | - | - | (2 534) | - | - | - |
| Hedge costs for the period | - | - | - | - | - | 3 304 | - | - | - | 3 304 |
| Amount reclassified to sale revenue | - | - | - | - | (8 409) | (9 233) | - | - | - | (17 642) |
| Hedge accounting | - | - | - | - | 18 844 | - | - | - | - | 18 844 |
| Deferred tax | - | - | - | - | (1 983) | 1 127 | - | - | - | (856) |
| Provision for benefits after the employment period | - | - | (315) | - | - | - | - | - | - | (315) |
| Current result | - | - | (3 134) | - | - | - | - | - | - | (3 134) |
| Changes in adopted accounting principles (policy) | - | - | - | 117 | - | - | - | - | - | 117 |
| Comprehensive income for the period | - | - | (3 449) | 117 | 8 452 | (4 802) | - | - | - | 318 |
| As at 31 December 2019 | 23 931 | 114 556 | 9 039 | (544) | 11 718 | 12 885 | 393 145 | (1 073) | 2 354 | 566 011 |

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2018

| | Share capital | Supplementary capital from share premium | Retained earnings/ (accumulated loss) | 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) | - | - | - | - | - | - | - | - | - |
| Error adjustments | - | - | 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 | - | - | - |
| Payment of dividend for 2017 | - | - | - | - | - | - | - | - | - |
| Hedge costs for the period | - | - | - | - | 24 867 | - | - | - | 24 867 |
| Amount reclassified to sale revenue | - | - | - | 7 981 | 3 166 | - | - | - | 11 147 |
| Hedge accounting | - | - | - | (51 978) | - | - | - | - | (51 978) |
| Deferred tax | - | - | - | (766) | (4 149) | - | - | - | (4 915) |
| 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 |

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
Andreas Disch**

.....

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

.....

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

.....

**Member of the Management Board
Mariusz Gazda**

.....

Ostrów Mazowiecka, 16 April 2020