



FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

Extract of consolidated financial report
for the period ended 31.03.2020

FABRYKI MEBLI
„FORTE” S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka
Polska
www.forte.com.pl

Ostrów Mazowiecka, 21 maja 2020 roku

TABLE OF CONTENTS

CONSOLIDATED SELECTED FINANCIAL DATA	2
Consolidated profit and loss account	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial situation (balance sheet)	6
Consolidated cash flow statement	7
Consolidated statement of changes in equity	8
Consolidated statement of changes in equity	9
Consolidated statement of changes in equity	10
1. Seasonality of operations	11
2. Revenues and costs	11
3. Other operating revenues	11
4. Other operating cost	11
5. Financial revenue	12
6. Financial costs	12
7. Costs by type	12
Comments on financial performance of the Fabryki Mebli „FORTE” S.A. Group	13
Profit and loss account	13
Statement of comprehensive income	16
Statement of financial situation (balance sheet)	17
Cash flow statement	18
Statement of changes in equity	19
Statement of changes in equity	20
Statement of changes in equity	21

CONSOLIDATED SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Sales revenue	276 394	319 511	62 870	74 343
Profit on operating activities	26 811	24 416	6 099	5 681
Profit before tax	2 485	17 906	565	4 166
Net profit attributable to equity owners of the parent	(4 400)	12 520	(1 001)	2 913
Total comprehensive income for the period	(39 144)	12 222	(8 904)	2 844
Net cash flow from operating activities	18 366	35 117	4 178	8 171
Net cash flow from investment activities	(6 532)	(13 415)	(1 486)	(3 121)
Net cash flow from financial activities	(19 810)	(16 257)	(4 506)	(3 783)
Net increase (decrease) in cash and cash equivalents	(7 976)	5 445	(1 814)	1 267
Number of shares	23 930 796	23 930 796	23 930 796	23 930 796
Net profit per share attributable to equity owners of the parent (in PLN/EUR)	(0,18)	0,52	(0,04)	0,12
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Total assets	1 545 459	1 571 021	339 490	368 914
Total liabilities	803 401	789 819	176 482	185 469
Long-term liabilities	513 234	252 854	112 742	59 376
Short-term liabilities	290 167	536 965	63 741	126 093
Total equity	742 047	781 185	163 005	183 441
Share capital	23 931	23 931	5 257	5 620
Book value per share (in PLN/EUR)	31,01	32,64	6,81	7,67

SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Sales revenue	262 722	310 332	59 760	72 207
Profit on operating activities	8 013	7 247	1 823	1 686
Profit before tax	9 005	4 381	2 048	1 019
Profit of the period	5 982	2 660	1 361	619
Total comprehensive income for the period	(29 740)	2 961	(6 765)	689
Net cash flows from operating activities	7 222	7 179	1 643	1 670
Net cash flows from investing activities	(4 863)	(8 107)	(1 106)	(1 886)
Net cash flows from financial activities	(14 455)	11 054	(3 288)	2 572
Net increase (decrease) in cash and cash (equivalents)	(12 096)	10 126	(2 751)	2 356
Number of shares	23 930 796	23 930 796	23 930 796	23 930 796
Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00
Net profit per share (in PLN/EUR)	0,25	0,11	0,06	0,04
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Total assets	904 164	926 971	198 617	217 675
Total liabilities	367 893	360 960	80 815	84 762
Long-term liabilities	179 813	194 196	39 499	45 602
Short-term liabilities	188 080	166 764	41 315	39 160
Total equity	536 271	566 011	117 802	132 913
Share capital	23 931	23 931	5 257	5 620
Book value per share (in PLN/EUR)	22,41	23,65	4,92	5,55

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the reporting period ended	
	31 March 2020	31 March 2019 restated
Continued operations		
Revenue from sales of goods, products and materials	274 908	318 094
Revenue from sales of services	1 486	1 417
Sales revenue	276 394	319 511
Cost of sales of sold goods, products and materials	(168 764)	(212 761)
Cost of sales of sold services	(999)	(927)
Cost of sales	(169 763)	(213 688)
Gross profit from sales	106 631	105 823
Other operating revenue	1 228	2 342
Costs of sales	(61 610)	(67 668)
General administrative costs	(15 729)	(14 102)
Other operating costs	(3 709)	(1 979)
Profit on operating activities	26 811	24 416
Financial revenue	140	93
Financial costs	(22 308)	(4 337)
Loss on derivative financial instruments	(447)	(477)
Share in the profit/ loss of investments valued at equity method	(1 711)	(1 789)
Profit before tax	2 485	17 906
Income tax	(6 883)	(5 394)
(Profit) loss on continued operations of the period	(4 398)	12 512
(Profit) loss of the period	(4 398)	12 512
Attributable to:		
Shareholders of the Parent Company	(4 400)	12 520
Non-controlling shareholders	2	(8)
Profit (loss) on continued operations of the period		
- basic	(0,18)	0,52
- diluted	(0,18)	0,52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended	
	31 March 2020	31 March 2019 restated
Profit (loss) of the period	(4 398)	12 512
Other net comprehensive income, including:	(34 746)	(290)
Items which in the future may be reclassified to the profit and loss account	(34 746)	(290)
Foreign exchange differences on translation of foreign operations	1 601	(140)
Hedge costs	8 808	3 068
Hedge accounting	(53 601)	(3 112)
Income tax on hedge accounting	8 457	(106)
Other	(11)	-
Total comprehensive income for the period	(39 144)	12 222
Attributable to:		
Shareholders of the Parent Company	(39 146)	12 230
Non-controlling shareholders	2	(8)

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	31 March 2020	31 December 2019 audited	31 March 2019 restated
ASSETS			
Non-current assets	1 144 715	1 168 776	1 205 055
Tangible fixed assets	868 157	876 778	907 904
Intangible assets	16 704	16 857	16 474
Financial assets	95 034	94 963	75 714
Investment properties	54 780	54 780	74 072
Assets on deferred tax	109 322	111 484	120 945
Investments valued at equity method	718	464	-
Receivables due to derivative financial instruments	-	13 450	9 946
Current assets	400 744	402 245	489 664
Inventory	199 620	189 196	199 282
Trade and other receivables	148 832	135 373	191 257
Receivables due to derivative financial instruments	-	16 924	16 479
Income tax receivables	-	1 697	22 888
Deferred revenues and accruals	3 561	3 130	5 923
Financial assets	1 577	1 534	1 904
Cash and cash equivalents	47 154	54 391	51 931
TOTAL ASSETS	1 545 459	1 571 021	1 694 719
LIABILITIES			
Total equity	742 058	781 202	748 144
Equity (attributable to shareholders of the Parent Company), including:	742 047	781 185	744 859
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	1 616	15	(227)
Revaluation reserve from hedging instruments	(35 527)	7 943	(3 130)
Hedge cost	20 019	12 885	20 172
Other revaluation reserves	(45 010)	(45 010)	(54 902)
Incentive Scheme	2 354	2 354	2 354
Other reserve capital	484 384	484 613	447 132
Retained earnings	175 724	179 898	194 973
Capital attributable to non-controlling shareholders	11	17	3 285
Long-term liabilities	513 234	252 854	427 107
Interest-bearing loans and borrowings	430 884	165 661	344 368
Payables to units priced at MPW	-	-	5 371
Deferred income tax provision	3 058	15 386	2 491
Provision for benefits after the employment period	4 628	4 620	4 067
Deferred revenues and accruals	37 261	37 773	39 318
Financial liabilities due to lease	24 004	24 430	26 082
Liabilities due to financial derivative instruments	11 523	2 328	2 845
Other long-term liabilities	1 876	2 656	2 565
Short-term liabilities	290 167	536 965	519 468
Trade and other liabilities	160 527	162 325	181 369
Contract liabilities	518	640	765
Current portion of interest-bearing loans and borrowings	112 237	365 378	328 393
Provisions, deferred revenues	2 057	2 059	2 060
Income tax liabilities	2 531	-	-
Accruals	3 373	2 994	3 086
Liabilities due to derivative financial instruments	6 671	1 446	1 516
Financial liabilities due to lease	2 253	2 123	2 279
Total liabilities	803 401	789 819	946 575
TOTAL LIABILITIES	1 545 459	1 571 021	1 694 719

CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 31.03.2020	3 months ended 31.03.2019 restated
Cash flows from operating activities		
Profit (loss) of the period	(4 400)	12 512
Adjustments by:	22 766	22 605
Share in the profit/ loss of investments valued at equity method	1 711	1 789
Profit/(loss) of non-controlling shareholders	2	(8)
Depreciation	14 082	13 997
Foreign exchange (gains)/losses	26 389	197
Net interest and dividends	3 246	4 129
(Profit)/loss on investment activities	145	(32)
Change in receivables	(13 459)	(37 322)
Change in inventories	(10 424)	16 261
Change in liabilities, excluding loans and borrowings	(1 057)	22 802
Change in accruals and deferrals	(945)	(1 687)
Change in provisions and change in assets on deferred tax	813	1 901
Income tax paid	(4 844)	(4 820)
Current tax recognised in the profit and loss account	6 883	5 394
Foreign exchange differences	52	2
Other adjustments	172	2
Net cash flows from operating activities	18 366	35 117
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	43	79
Purchase of tangible fixed assets and intangible assets	(5 042)	(13 884)
Purchase of financial assets	(18)	-
Real property investment	-	(81)
Interest received	3	14
Repayment of borrowings granted	100	500
Borrowings granted	(1 618)	(43)
Net cash flows from investing activities	(6 532)	(13 415)
Cash flows from financing activities		
Inflows from loans and borrowings taken out	796	14 344
Repayment of loans and borrowings	(17 887)	(25 137)
Repayment of leasing liabilities	(618)	(1 285)
Interest paid	(2 101)	(4 179)
Net cash flows from financial activities	(19 810)	(16 257)
Net (increase) decrease in cash and cash (equivalents)	(7 976)	5 445
Net foreign exchange differences (from the opening balance translation)	739	(76)
Opening balance of cash	54 391	46 562
Closing balance of cash, including:	47 154	51 931
of limited disposability	66	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2020

	Attributable to the shareholders of the Parent Company										Equity of non-controlling interest	Total equity
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings/accumulated loss	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total		
As at 1 January 2020	23 931	114 556	15	(45 010)	2 354	179 898	7 943	12 885	484 613	781 185	17	781 202
As at 1 January 2020 after adjustments	23 931	114 556	15	(45 010)	2 354	179 898	7 943	12 885	484 613	781 185	17	781 202
Hedge cost for the period	-	-	-	-	-	-	-	13 770	-	13 770	-	13 770
Amount reclassified to sale revenue	-	-	-	-	-	-	1 807	(4 962)	-	(3 155)	-	(3 155)
Hedge accounting	-	-	-	-	-	-	(55 408)	-	-	(55 408)	-	(55 408)
Deferred tax regarding hedge accounting	-	-	-	-	-	-	10 131	(1 674)	-	8 457	-	8 457
Current result	-	-	-	-	-	(4 400)	-	-	-	(4 400)	2	(4 398)
Foreign exchange differences	-	-	1 601	-	-	-	-	-	-	1 601	-	1 601
Other adjustments	-	-	-	-	-	226	-	-	(229)	(3)	(8)	(11)
Comprehensive income for the period	-	-	1 601	-	-	(4 174)	(43 470)	7 134	(229)	(39 138)	(6)	(39 144)
As at 31 March 2020	23 931	114 556	1 616	(45 010)	2 354	175 724	(35 527)	20 019	484 384	742 047	11	742 058

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019 audited

	Attributable to the shareholders of the Parent Company										Foreign exchange differences on consolidation Equity of non-controlling interest	Total equity
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings/accumulated loss	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total		
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 period ended 31 March 2019 restated

	Attributable to the shareholders of the Parent Company										Equity of non-controlling interest	Total equity
	Share capital	Share premium	Foreign exchange differences on consolidation	Other revaluation reserve	Incentive Scheme	Retained earnings/accumulated loss	Revaluation reserve from hedging instruments	Hedge costs	Other reserve capital	Total		
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 Policy	-	-	-	-	-	122 309	-	-	-	122 309	-	122 309
Error adjustments	-	-	-	-	-	-	-	-	-	-	-	-
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
Hedge cost for the period	-	-	-	-	-	-	-	3 797	-	3 797	-	3 797
Amount reclassified to sale revenue	-	-	-	-	-	-	(2 465)	(729)	-	(3 194)	-	(3 194)
Hedge accounting	-	-	-	-	-	-	(647)	-	-	(647)	-	(647)
Deferred tax regarding hedge accounting	-	-	-	-	-	-	477	(583)	-	(106)	-	(106)
Current result	-	-	-	-	-	12 520	-	-	-	12 520	(8)	12 512
Foreign exchange differences	-	-	(140)	-	-	-	-	-	-	(140)	-	(140)
Comprehensive income for the period	-	-	(140)	-	-	12 520	(2 635)	2 485	-	12 230	(8)	12 222
As at 31 March 2019	23 931	114 556	(227)	(54 902)	2 354	194 973	(3 130)	20 172	447 132	744 859	3 285	748 144

1. 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
Q1 2020	52 430	19%	223 964	81%	276 394	-
2020	52 430	19%	223 964	81%	276 394	
Q1 2019	43 760	14%	275 751	86%	319 511	27%
Q2 2019	44 244	17%	211 530	83%	255 774	22%
Q3 2019	39 480	15%	224 447	85%	263 927	22%
Q4 2019	56 228	17%	281 178	83%	337 406	29%
Total 2019	183 712	16%	992 906	84%	1 176 618	100%

2. Revenues and costs**Sales revenues and geographic structure**

Sales revenues	For the reporting period ended	
	31.03.2020	31.03.2019
Revenues from sales of goods, products and materials		
- products	255 340	301 791
- goods	2 144	2 225
- materials	17 442	14 078
Revenues from sales of services	1 468	1 417
Total net revenues from sales	276 394	319 511
- including from related entities	2 930	2 195

3. Other operating revenues

Other operating revenues	For the reporting period ended	
	31.03.2020	31.03.2019
Reversal of impairment write-downs	-	1 356
Gain on sale of property, plant and equipment	2	32
Subsidies	515	649
Compensations	90	268
Other	621	37
Total other operating revenues	1 228	2 342

4. Other operating cost

Other operating costs	For the reporting period ended	
	31.03.2020	31.03.2019
Create of impairment write-downs	-	-
Scrapping of inventory	689	45
Donations	26	1 213
Penalties and compensations	160	680
Other	2 834	41
Total other operating costs	3 709	1 979

5. Financial revenue

Financial revenue	For the reporting period ended	
	31.03.2020	31.03.2019
Interest	140	93
Financial revenues, total	140	93

6. Financial costs

Financial costs	For the reporting period ended	
	31.03.2020	31.03.2019
Interest on loans and leasing	3 166	3 724
Commission on loans	224	447
Exchange differences of financial assets and liabilities	18 900	134
Other	18	32
Financial costs, total	22 308	4 337

7. Costs by type

Costs by type	For the reporting period ended	
	31.03.2020	31.03.2019
Amortisation	14 082	13 997
Consumption of materials and energy	110 998	126 959
External services	49 627	58 207
Taxes and fees	3 126	3 410
Payroll	47 857	46 300
Social insurance and other benefits	14 010	13 603
Other costs by type	3 078	2 638
Costs by type	242 778	265 114
Change in product inventory and accruals	(13 643)	14 553
Manufacturing cost of products for internal purposes	(922)	(105)
Costs of sales	(61 610)	(67 668)
General administrative costs	(15 729)	(14 102)
Manufacturing cost of sold products and services	150 874	197 792
Value of goods and materials sold	18 889	15 896
Costs of sales	169 763	213 688

COMMENTS ON FINANCIAL PERFORMANCE OF THE FABRYKI MEBLI „FORTE” S.A. GROUP

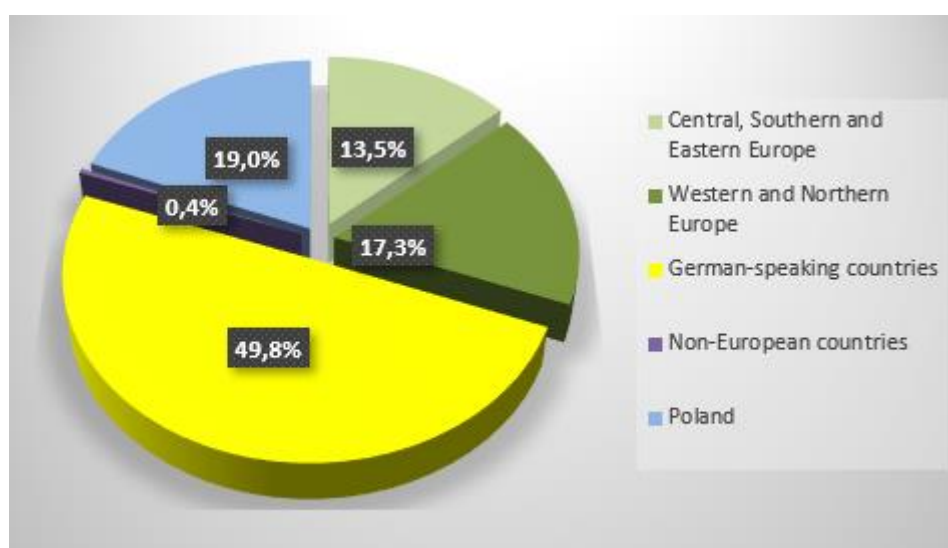
Item	31.03.2020	31.03.2019 restated	% change
Sales revenue	276 394	319 511	(13.5%)
Cost of sales	(169 763)	(213 688)	(20.6%)
Gross profit on sales	106 631	105 823	0.8%
Gross margin on sales %	38.6%	33.1%	
Selling costs	(61 610)	(67 668)	(9.0%)
G&A costs	(15 729)	(14 102)	11.5%
Operating profit (EBIT)	26 811	24 416	9.8%
EBITDA	40 893	38 413	6.5%
Share in profit/loss of subsidiaries valued under the equity method	(1 711)	(1 789)	(4.4%)
Gross profit	2 485	17 906	(86.1%)
Net profit	(4 398)	12 512	(135.2%)
Net profit margin	(1.6%)	3.9%	
Return on equity (ROE)	(0.6%)	1.6%	
Return on assets (ROA)	(0.3%)	0.8%	

After Q1 2020, **sales revenue** amounted to PLN 276 394 thousand and was lower by 13.5% (in terms of value by PLN 43 117 thousand) as compared to the corresponding period last year.

In March 2020 alone, the impact of the COVID-19 pandemic resulted in a 42% drop in turnover compared to March 2019. Sales outside the Group of surplus furniture board manufactured in our own plant amounted to PLN 16 762 thousand (in Q1 2019 – PLN 12 518 thousand).

Export sales of the FORTE Group totalled PLN 223 964 thousand – 81 % of total sales (in Q1 2019 – PLN 275 751 thousand – 86.3 %). Sales in the Polish market amounted to PLN 52 430 thousand (19%) against PLN 43 760 thousand (13.7%) in the corresponding period of 2019.

The percentage of sales in individual markets is presented in the chart below.



The largest share in sales belonged to German-speaking countries - 50% and Central and Southern Europe – 13.5%. Domestic sales accounted for 19% of the Group's sales revenue.

Gross margin on sales stood at a level of 38.6%, which is 5.5 percentage point higher than in the corresponding period last year.

Selling costs - the selling costs to revenue ratio amounted to 22.29% versus 21.18% in the corresponding period last year. In terms of value, selling costs decreased by PLN 6 058 thousand due to lower sales revenue.

G&A costs - the G&A costs to revenue ratio stood at 5.7%, versus 4.4% in Q1 2019.

Operating profit amounted to PLN 26 811 thousand (9.7% of revenue), compared to PLN 24 416 thousand (7.6% of revenue) in Q1 2019.

A one-off impact on lowering EBIT in Q1 2020 was due to PLN 2 500 thousand recognized under other operating costs as the final tranche of co-financing the construction of a runway in Suwałki.

Result on financial operations amounted to PLN (-) 22 168 thousand. The negative result was affected in particular by negative exchange rate differences in the amount of (-) 18 900 thousand, arising mainly from the valuation of loans in EUR.

In the reporting period, **net loss** totalled PLN (-) 4 398 thousand (-1.6% of revenue), compared to a profit of PLN 12 512 thousand in the corresponding period of 2019 (3.9% of revenue).

Characteristics of balance sheet items	31.03.2020		31.12.2019		% change 2020/2019
	PLN '000	% of balance sheet total	PLN '000	% of balance sheet total	
Non-current assets	1 144 715	74%	1 168 776	74%	(2.1%)
Current assets	400 744	26%	402 245	26%	(0.4%)
Total assets	1 545 459	100%	1 571 021	100%	(1.6%)
Equity	742 058	48%	781 202	50%	(5.0%)
Non-current liabilities and provisions	513 234	33%	252 854	16%	103.0%
Current liabilities and provisions	290 167	19%	536 965	34%	(46.0%)
Total equity and liabilities	1 545 459	100%	1 571 021	100%	(1.6%)

Non-current assets fell by PLN 24 061 thousand, mainly as a result of a decrease in non-current receivables from derivative financial instruments (PLN 13 450 thousand) and a decrease in tangible fixed assets due to depreciation of the assets held.

Current assets decreased slightly by PLN 1 501 thousand, mainly due to: an increase in trade and other receivables - PLN 13 459 thousand and in inventories - PLN 10 424 thousand, as well as a decrease in receivables from derivative financial instruments by PLN 16 924 thousand and in cash by PLN 7 237 thousand.

On **liabilities** side, the most significant change relates to: an increase in non-current liabilities under bank loans by PLN 265 223 thousand and an increase in liabilities under derivative financial instruments – PLN 9 195 thousand.

In current liabilities, a decrease by PLN 265 223 thousand was recorded, mainly for liabilities related to the current part of loans – PLN 253 141 thousand and for liabilities under derivative financial instruments – PLN 5 225 thousand.

In connection with the requirements of IAS 1 paragraph 65, as at the balance sheet date of 31.12.2019, the Group reclassified non-current liabilities related to the bank loan of its subsidiary TANNE Sp. z o.o. into current liabilities. The reason for the reclassification was the subsidiary's failure to meet the debt service ratio (despite timely servicing of the loan with interest) and conclusion on 20 March 2020 of an annex to the loan agreement containing the Consortium's consent. Therefore, at the time of preparing these financial statements, the loan taken by TANNE Sp. z o.o. is disclosed in accordance with the applicable repayment schedule.

The Management Board of FABRYKI MEBLI „FORTE” S.A., in view of the situation relating to the spread of COVID-19 coronavirus, has started talks with Banks aimed at deferring capital repayments on investment loans maturing in March and Q2 2020, to which the Banks have consented. A description of annexes to loan agreements is contained in Note 24 and Note 28 to the Consolidated Financial Statements.

Moreover, in order to mitigate the negative impact of COVID-19 on the Group's operations, individual companies of the FORTE Capital Group have applied to the Provincial Employment Office to subsidize salaries of employees affected by economic downtime and reduced working hours and to cover part of social security contributions of employees. By the date of publication of this report, the FORTE Group has received funding for a total of PLN 9,923 thousand. The received subsidy covers the period from April to May 2020 and applies to employees employed in all factories of the Parent Company and TANNE Sp. z o.o. The Group has also applied for funding to subsidize employee salaries for June 2020 in the part concerning reduced working hours and social security contributions. The received funding will allow the Group to cover part of the fixed costs incurred by the Group with regard to employee salaries and social security contributions.

PROFIT AND LOSS ACCOUNT

	For the reporting period ended	
	31 March 2020	31 March 2019 restated
Continued operations		
Revenue from sales of products, goods and materials	260 745	308 036
Revenue from sales of services	1 977	2 296
Sales revenue	262 722	310 332
Cost of sales of sold products, goods and materials	(171 605)	(215 132)
Cost of sales of sold services	(811)	(1 165)
Cost of sales	(172 416)	(216 297)
Gross profit from sales	90 306	94 035
Other operating revenue	623	1 618
Costs of sales	(66 930)	(75 698)
General administrative costs	(12 506)	(10 743)
Other operating costs	(3 480)	(1 965)
Operating profit	8 013	7 247
Financial revenue	4 008	144
Financial costs	(1 305)	(1 221)
Share in the profit/ loss of investments valued at equity method	(1 711)	(1 789)
Profit before tax	9 005	4 381
Income tax	(3 023)	(1 721)
Profit of the period	5 982	2 660
Profit per share for the period (in PLN):		
- basic	0,25	0,11
- diluted	0,25	0,11

STATEMENT OF COMPREHENSIVE INCOME

	For the reporting period ended	
	31 March 2020	31 March 2019 restated
Profit of the period	5 982	2 660
Other net comprehensive income, including:	(35 722)	301
Items which in the future may be reclassified to the profit and loss account	(36 052)	451
Hedge accounting	(53 317)	(2 511)
Hedge costs	8 808	3 068
Income tax on hedge accounting	8 457	(106)
Exchange differences from translation of subsidiary	330	(150)
Total comprehensive income for the period	(29 740)	2 961

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	31 March 2020	31 December 2019	31 March 2019 restated
ASSETS			
Non-current assets	570 964	587 511	566 945
Tangible fixed assets	270 709	273 934	289 945
Intangible assets	1 348	1 496	1 134
Investment in subsidiaries and entities	289 881	289 880	252 394
Loans granted	7 505	8 197	11 792
Investments valued at equity method	718	466	1 693
Other long-term receivables	88	88	40
Assets on deferred tax	715	-	-
Receivables due to derivative financial instruments	-	13 450	9 946
Current assets	333 200	339 460	414 041
Inventory	147 502	138 507	129 597
Trade and other receivables	143 083	129 733	187 315
Receivables due to derivative financial instruments	-	16 924	16 478
Income tax receivables	-	1 691	22 888
Loans granted	7 280	5 967	7 971
Cash and cash equivalents	32 812	44 641	44 921
Deferred revenues and accruals	2 523	1 997	4 871
TOTAL ASSETS	904 164	926 971	980 985
LIABILITIES			
Equity	536 271	566 011	568 654
Share capital	23 931	23 931	23 931
Supplementary capital from share premium	114 556	114 556	114 556
Revaluation reserve from hedging instruments	(31 468)	11 718	1 232
Hedge costs	20 019	12 885	20 172
Business combination capital	(1 073)	(1 073)	(1 073)
Incentive Scheme	2 354	2 354	2 354
Other reserve capital	393 145	393 145	395 679
Retained earnings	15 021	9 039	12 614
Exchange differences from translation	(214)	(544)	(811)
Long-term liabilities	179 813	194 196	37 577
Deferred income tax provision	-	13 125	7 833
Provision for benefits after the employment period	4 187	4 187	3 675
Interest-bearing loans and borrowings	142 282	152 468	-
Financial liabilities due to lease	23 987	24 416	26 069
Liabilities due to derivative financial instruments	9 357	-	-
Short-term liabilities	188 080	166 764	374 754
Trade and other liabilities	182 426	161 166	183 242
Contract liabilities	515	582	731
Current portion of interest-bearing loans and borrowings and	-	-	185 702
Financial liabilities due to lease	2 161	2 039	2 279
Liabilities due to derivative financial instruments	4 778	-	-
Provisions and accrued liabilities	2 977	2 977	2 800
Total liabilities	367 893	360 960	412 331
TOTAL LIABILITIES	904 164	926 971	980 985

CASH FLOW STATEMENT

	3 months ended 31 March 2020	3 months ended 31 March 2019 restated
Cash flow from operating activity		
Profit/ (loss) of the period	5 982	2 660
Adjustments by:	1 240	4 519
Share in the profit/ loss of investments valued at equity method	1 711	1 789
Amortisation	6 372	6 354
Foreign exchange profit/(loss)	1 349	124
Net interest and dividends	1 108	1 093
Profit/(Loss) on investing activity	145	(32)
Change in receivables	(13 350)	(36 173)
Change in inventories	(8 993)	10 811
Change in liabilities, excluding loans and borrowings	14 637	22 318
Change in prepayments and accruals	(526)	253
Change in provisions	-	(106)
Income tax paid	(4 236)	(3 739)
Current tax recognised in profit or loss	3 023	1 827
Net operating cash flow	7 222	7 179
Cash flows from investment activities		
Sales of property, plant and equipment and intangible assets	41	79
Purchases of property, plant and equipment and intangible assets	(3 599)	(9 091)
Purchases of financial assets	(18)	-
Interest received	36	70
Borrowings granted	(1 623)	(43)
Repayment of borrowings granted	300	878
Net investment cash flow	(4 863)	(8 107)
Cash flows from financing activities		
Inflow from loans and borrowings taken out	796	14 344
Repayment of loans and borrowings	(13 409)	(806)
Interest paid	(1 250)	(1 211)
Repayment of leasing liabilities	(592)	(1 273)
Net financial cash flow	(14 455)	11 054
Net (increase) decrease in cash and cash equivalents	(12 096)	10 126
Net foreign exchange differences	(267)	83
Opening balance of cash	44 641	34 878
Cash at end of year, including:	32 812	44 921
- of limited disposability	10	149

STATEMENT OF CHANGES IN EQUITY

for the period ended on 31 March 2020

	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 2020	23 931	114 556	9 039	(544)	11 718	12 885	393 145	(1 073)	2 354	566 011
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-	-	-
As at 1 January 2020 after adjustments	23 931	114 556	9 039	(544)	11 718	12 885	393 145	(1 073)	2 354	566 011
Hedge costs for the period	-	-	-	-	-	13 770	-	-	-	13 770
Amount reclassified to sale revenue	-	-	-	-	1 807	(4 962)	-	-	-	(3 155)
Hedge accounting	-	-	-	-	(55 124)	-	-	-	-	(55 124)
Deferred tax	-	-	-	-	10 131	(1 674)	-	-	-	8 457
Current result	-	-	5 982	-	-	-	-	-	-	5 982
Valuation of operations valued at equity method-exchange differences	-	-	-	330	-	-	-	-	-	330
Comprehensive income for the period	-	-	5 892	330	(43 186)	7 134	-	-	-	(29 740)
As at 31 March 2020	23 931	114 556	15 021	(214)	(31 468)	20 019	393 145	(1 073)	2 354	536 271

STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2019 (audited)

	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)
Valuation of operations valued at equity method-exchange differences	-	-	-	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 period ended on 31 March 2019 restated

	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 a 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
Hedge costs for the period	-	-	-	-	-	3 797	-	-	-	3 797
Amount reclassified to sale revenue	-	-	-	-	(2 465)	(729)	-	-	-	(3 194)
Hedge accounting	-	-	-	-	(46)	-	-	-	-	(46)
Deferred tax	-	-	-	-	477	(583)	-	-	-	(106)
Current result	-	-	2 660	-	-	-	-	-	-	2 660
Valuation of operations valued at equity method-exchange differences	-	-	-	(150)	-	-	-	-	-	(150)
Comprehensive income for the period	-	-	2 660	(150)	(2 034)	2 485	-	-	-	2 961
As at 31 March 2019	23 931	114 556	12 614	(811)	1 232	20 172	395 679	(1 073)	2 354	568 654

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
Klaus Dieter Dahlem**

.....

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

.....

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

.....

**Member of the Management Board
Andreas Disch**

.....

Ostrów Mazowiecka, 21th May 2020