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FABRYKI MEBLI FORTE S.A.

ul. Biała 1

07-300 Ostrów Mazowiecka

Opinion and report of the independent certified auditor on the audit of the financial statements for the financial year from 1 January to 31 December 2013

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INDEPENDENT CERTIFIED AUDITOR'S OPINION

for the General Meeting of Shareholders and the Supervisory Board of Fabryki Mebli Forte S.A.

We have audited the attached condensed interim financial statements of Fabryki Mebli Forte S.A. with its registered seat in Ostrów Mazowiecka, at ul. Biała 1, including:

- notes to the financial statements, comprising a summary of accounting policies;
- financial situation statement prepared as at 31 December 2013, which states the amount of **PLN 539,725 thousand** as concerns assets and liabilities;
- profit and loss account for the financial year from 1 January to 31 December 2013, showing net profit of **PLN 56,538 thousand**;
- statement of comprehensive income for the financial year from 1 January to 31 December 2013, showing comprehensive income in the amount of **PLN 56,896 thousand**;
- statement of changes in equity for the financial year from 1 January to 31 December 2013, showing an increase in equity in the amount of **PLN 34,332 thousand**;
- cash flow statement for the financial year from 1 January to 31 December 2013, showing an increase in net cash of **PLN 42,718 thousand**;
- and notes to financial statements.

The Company Management Board is responsible for drawing up financial statements compliant with legal regulations in force, and the report on operations.

The Company Management Board and members of the Supervisory Board are obliged to ensure that the financial statements and the report on operations meet the requirements provided for in the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), hereinafter referred to as the "Accounting Act".

Our task was to audit the financial statements and express an opinion on their compliance with the accounting principles (policy) which needed to be applied, and whether the financial statements presented, in all material aspects, the assets and the financial situation in a true and fair manner, and the financial results of the Company, as well as the correctness of books of account constituting the basis for the financial statements.

We conducted our audit in accordance with:

1/ Chapter 7 of the Accounting Act,

2/ national financial audit standards issued by the National Council of Statutory Auditors in Poland.

We have planned and conducted the audit in such a manner as to obtain a rational certainty to allow giving the opinion on the statement. In particular, the audit included the assessment of the correctness of the accounting principles (policy) used by the Company and significant estimates, an examination, to a large extent at random, of evidence and records supporting the amounts and disclosures in the financial statements as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit provided sufficient grounds for expressing our opinion.

These financial statements are standalone statements and may not constitute the sole basis for the evaluation of the financial and assets standing of the Company, which is the parent company in the Fabryki Mebli FORTE Capital Group. Apart from the stand alone statements, the Company also prepares consolidated financial statements of the capital group for which it is the parent company.

In our opinion, the financial statements audited, in all material aspects:

a) present information relevant for the evaluation of assets and the financial situation of the Company in a true and fair manner as of 31 December 2013, as well as the financial results for the financial year from 1 January to 31 December 2013,

b) have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced as the regulations of the European Commission, and to the extent not covered by these standards – in accordance with the requirements of the Accounting Act and secondary legislation issued on the basis thereof, and on the basis of the correctly kept books of account,

c) are compliant with legal regulations affecting the contents of the financial statements and provisions of the Company Articles of Association.

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The Report on the operations of the entity is complete within the meaning of Article 49 section 2 of the Accounting Act and includes relevant provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of Laws of 28 January 2014, item 133), and information contained therein, taken from the audited consolidated financial statements, is consistent with it.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warsaw
Entity authorised to audit financial statements No 3355

Key certified auditor responsible for the audit:

Artur Staniszewski
Certified auditor
reg. No 9841

Acting on behalf of BDO Sp. z o.o.:

dr André Helin
President of the Management Board
Certified auditor No 90004

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Report
on the audit of the financial statements
of FABRYKI MEBLI FORTE S.A.

for the financial year
from 1 January to 31 December 2013

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I. GENERAL PART OF THE REPORT

1. Company identification data

1.1. Name and legal form

The Company operates under the business name of Fabryki Mebli FORTE Spółka Akcyjna (a Joint-Stock Company).

1.2. Company registered office

ul. Biała 1, 07-300 Ostrów Mazowiecka.

1.3. Object of the activity

According to the entry in the register and the articles of association, the Company's core business is the production and retail sale of furniture, mattresses and wood products.

1.4. Basis of operation

Fabryki Mebli FORTE S.A., operating on the basis of:

- Company Articles of Association drawn up in the form of a notarial deed on 22 November 1994 (Rep. A No 4358/94), as amended,
- Code of Commercial Companies.

1.5. Registration in the Commercial Court

On 23 June 2001 the Company was entered into the National Court Register in the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register under KRS number 21840.

1.6. Registration in the Tax Office and the Voivodship Statistical Office

NIP (Tax ID No): 759-000-50-82

REGON (Company ID No): 550398784

1.7. Initial capital and equity

The share capital as of 31 December 2013 amounted to PLN 23,751,084 and was divided into 23,751,084 shares with the nominal value of PLN 1 each.

In 2013 and until the date of completion of the audit, no changes took place in the share capital.

As of 31 December 2013, the Company shareholding structure was as follows:

Shareholder	Number of held shares and votes	% share in the overall number of votes
MaForm Holding AG	7,013,889	29.53%
Amplico Otwarty Fundusz Emerytalny	4,213,495	17.74%
ING Otwarty Fundusz Emerytalny	1,500,000	6.32%
Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%

As of 31 December 2013, the Company shareholders' equity included moreover:

- Supplementary capital from share premium	PLN 111,646 thousand
- Revaluation reserve from hedging instruments	PLN 7,548 thousand
- Business combination capital	PLN (1,073) thousand
- Incentive Scheme	PLN 420 thousand
- Other reserve capital	PLN 146,803 thousand
- Retained earnings	PLN 80,043 thousand

As at 31 December 2013, total equity amounted to PLN 369,138 thousand.

In resolution No 6/2013 of 28 May 2013, the General Meeting of Shareholders decided to allocate the Company's net profit for the period from 1 January to 31 December 2012 in the amount of PLN 31,872,512.45 in the following manner:

- allocate PLN 22,563,529.80 for dividend payout;
- allocate PLN 9,308,982.65 for supplementary capital.

1.8. Company Management Board

As of 31 December 2013, the following people were members of the Management Board:

- Maciej Formanowicz – President of the Management Board
- Robert Sławomir Rogowski – Vice President of the Management Board
- Klaus Dieter Dahlem – Member of the Management Board
- Gert Coopmann – Member of the Management Board

During the audited period and after its end, there were the following changes in the Company Management Board:

- on 10 January 2014, the Company received a statement on the resignation of Robert Sławomir Rogowski from the position of Vice President of the Management Board.
- by the resolution of the Supervisory Board No 1/2014 of 10 January 2014 Mariusz Jacek Gazda was appointed as the Member of the Management Board as of 1 March 2014.

1.9. Information about related entities

The Company is a dominant entity and draws up consolidated financial statements.

As of 31 December 2013 the Company was related in terms of equity to the following entities:

- MV Forte GmbH with its registered office in Erkelenz (Germany) – 100% of shares,
- Forte Möbel AG with its registered office in Baar (Switzerland) – 99% of shares,
- Forte Baldai UAB with its registered office in Vilnius (Lithuania) – 100% of shares,
- Forte SK s.r.o. with its registered office in Bratislava (Slovakia) – 100% of shares,
- Forte Furniture LTD with its registered office in Preston (UK) – 100% of shares,
- Forte Iberia S.l.u. with its registered office in Valencia (Spain) – 100% of shares,
- Forte Mobilier S.a.r.l. with its registered office in Lyon (France) – 100% of shares,
- Kwadrat Sp. z o.o. with its registered office in Bydgoszcz – 77.01% of shares,
- Galeria Kwadrat Sp. z o.o. with its registered office in Bydgoszcz – 77.01% of shares,
- TM Handel Sp. z o.o. with its registered office in Warsaw – 100% of shares,
- TM Handel Sp. z o.o. S.K.A. with its registered office in Ostrów Mazowiecka – 100% of shares,
- Fort investment Sp. z o.o. with its registered office in Ostrów Mazowiecka – 100% of shares,
- Forte Mobila S.r.L. with its registered office in Bacau (Romania) – 100% of shares.

* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related company – 100% subsidiary of TM Handel Sp. z o.o. SKA

2. Data identifying the audited financial statements

The subject of the audit were the financial statements of Fabryki Mebli FORTE S.A. drawn up for the financial year from 1 January to 31 December 2013, covering:

- notes to the financial statements, comprising a summary of accounting policies,
- financial situation statement prepared as at 31 December 2013, which states the amount of **PLN 539,725 thousand** as concerns assets and liabilities;
- profit and loss account for the financial year from 1 January to 31 December 2013, showing net profit of **PLN 56,538 thousand**;
- statement of comprehensive income for the financial year from 1 January to 31 December 2013, showing comprehensive income in the amount of **PLN 56,896 thousand**;
- statement of changes in equity for the financial year from 1 January to 31 December 2013, showing an increase in equity in the amount of **PLN 34,332 thousand**;
- cash flow statement for the financial year from 1 January to 31 December 2013, showing an increase in net cash of **PLN 42,718 thousand**;
- and notes to financial statements.

In accordance with resolution No 18/2005 of the Ordinary General Meeting of Shareholders of 27 June 2005, since financial year 2006 the Company has prepared statutory financial statements pursuant to International Financial Reporting Standards.

3. Data identifying the authorised entity and the certified auditor conducting the audit

The audit of financial statements of Fabryki Mebli FORTE S.A. for 2013 was conducted by BDO Sp. z o.o., with its registered office in Warsaw, ul. Postępu 12, an entity authorised to audit financial statements, entered on the list of the National Chamber of Statutory Auditors under number 3355.

Appointment of a certified auditor to audit the Company's financial statements starting from the year 2012 has been made by the Supervisory Board of the Company pursuant to resolution No 14/2012 of 29 June 2012.

The audit was conducted pursuant to the audit agreement of 29 May 2013, by the key certified auditor, Artur Staniszewski (reg. No

9841). The audit was conducted in the registered office of the Company from 3 February 2014, with intervals, until the date of issuance of the opinion. It was preceded with a review of the consolidated financial statements for the first half of 2013, and by a preliminary audit conducted from 25 to 29 November 2013.

We represent that the entitled entity of BDO Sp. z o.o., certified auditor auditing the above-mentioned financial statements and other persons involved in the audit meet the conditions for expression of an unbiased and independent opinion about the financial statements, in accordance with Article 56, 57 and 60 of the Act of 7 May 2009 on Statutory Auditors and their Self-Government, Entities Authorised to Audit Financial Statements and Public Supervision (Journal of Laws of 2009 No 77, item 649, as amended).

During the audit, the Company provided the certified auditor with the requested data and provided information and explanations necessary to conduct the audit, and notified the auditor of the absence of material events after the balance sheet date until the date of submission of the statement.

There were no limitations in the scope of audit and the certified auditor was not restricted in the selection of appropriate audit methods.

4. Information about the financial statements for the previous year

The basis for the opening of the books of account were the financial statements drawn up for the period from 1 January to 31 December 2012, which were audited by BDO Sp. z o.o., an entity authorised to audit financial statements No 3355 and which received an unqualified opinion.

The financial statements of the Company for the period from 1 January to 31 December 2012 were approved by resolution No 4/2013 of the Ordinary General Meeting of Shareholders of 28 May 2013.

In resolution No 6/2013 of the same day, the General Meeting of Shareholders decided to allocate the Company's net profit for the period from 1 January to 31 December 2012 in the amount of PLN 31,872,512.45 in the following manner:

– allocate PLN 22,563,529.80 for dividend,

– allocate PLN 9,308,982.65 for supplementary capital.

The financial statements for 2012 were submitted to the National Court Register on 28 May 2013.

II. FINANCIAL ANALYSIS OF THE COMPANY

Selected items from the statement of financial position, profit and loss account, as well as fundamental financial ratios are presented below, in comparison with the same items for the previous years.

1. Basic values from the statement of financial position

	31.12.2013	*% of total assets*	31.12.2012 restated	*% of total assets*	31.12.2011	*% of total assets*
ASSETS						
Fixed assets	245,283	*45.4*	244,474	*51.7*	229,666	*49.6*
Tangible fixed assets	188,036	*34.8*	188,107	*39.8*	188,315	*40.6*
Intangible assets	16,620	*3.1*	16,092	*3.4*	702	*0.2*
Real estate	29,751	*5.5*	29,751	*6.3*	29,223	*6.3*
Financial assets	10,876	*2.0*	10,524	*2.2*	11,426	*2.5*
Current assets	294,442	*54.6*	227,956	*48.3*	233,882	*50.4*
Inventory	113,087	*21.0*	99,119	*21.0*	109,868	*23.7*
Short-term receivables	99,486	*18.4*	90,015	*19.1*	97,176	*21.0*
Receivables due to derivative financial instruments	9,824	*1.8*	8,950	*1.9*	-	-
Income tax receivables	-	-	-	-	1,131	*0.2*
Accruals	1,788	*0.3*	2,341	*0.5*	999	*0.2*
Financial assets	980	*0.2*	957	*0.2*	848	*0.2*
Cash and cash equivalents	69,277	*12.9*	26,574	*5.6*	23,860	*5.1*
Non-current assets held for sale		-	-	-	-	-
TOTAL ASSETS	**539,725**	***100.0***	**472,430**	**100.0**	**463,548**	***100.0***
EQUITY AND LIABILITIES						
Equity	369,138	*68.4*	334,806	*70.9*	302,893	*65.3*
Share capital	23,751	*4.4*	23,751	*5.0*	23,751	*5.1*
Supplementary capital from share premium	111,646	*20.7*	111,646	*23.6*	111,646	*24.1*
Revaluation reserve from financial instruments	7,548	*1.4*	7,249	*1.5*	(10,605)	*(2.3)*
Business combination capital	(1,073)	*(0.2)*	(1,073)	*(0.2)*	(1,073)	*(0.2)*
Incentive Scheme	420	*0.1*	198	*0.1*	198	*0.0*

Other reserve capital	146,803	*27.2*	137,494	*29.1*	133,550	*28.8*
Retained earnings	80,043	*14.8*	55,541	*11.8*	45,426	*9.8*
Long-term liabilities	75,381	*14.0*	47,810	*10.1*	84,222	*18.2*
Interest-bearing loans and borrowings	58,178	*10.8*	29,900	*6.3*	73,027	*15.8*
Deferred income tax provision	12,450	*2.3*	13,802	*2.9*	8,516	*1.8*
Provision for benefits after the employment period	2,552	*0.5*	2,084	*0.5*	1,877	*0.4*
Accruals	86	*0.0*	110	*0.0*	134	*0.0*
Financial liabilities due to lease	2,115	*0.4*	1,914	*0.4*	668	*0.2*
Short-term liabilities	95,206	*17.6*	89,814	*19.0*	76,433	*16.5*
Trade and other liabilities	56,528	*10.5*	44,428	*9.4*	44,218	*9.5*
Liabilities due to derivative financial instruments	-	-	-	-	13,092	*2.8*
Current portion of interest-bearing loans and borrowings and securities	9,259	*1.7*	29,624	*6.3*	8,137	*1.8*
Income tax liabilities	10,963	*2.0*	431	*0.1*		
Provisions and accrued liabilities	17,700	*3.3*	14,203	*3.0*	8,582	*1.9*
Financial liabilities due to lease	756	*0.1*	1,128	*0.2*	2,404	*0.5*
TOTAL EQUITY AND LIABILITIES	**539,725**	***100.0***	**472,430**	***100.0***	**463,548**	***100.0***

2. Basic items of the profit and loss account

	2013	*% of sales revenue*	2012 restated	*% of sales revenue*	2011	*% of sales revenue*
Sales revenue	666,554	*100.0*	559,624	*100.0*	523,781	*100.0*
Cost of sales	424,766	*63.7*	378,186	*67.6*	362,228	*69.2*
Gross profit from sales	**241,788**	***36.3***	**181,438**	***32.4***	**161,553**	***30.8***
Other operating revenue	2,522	*0.4*	2,074	*0.4*	4,129	*0.8*
Costs of sales	141,914	*21.3*	118,157	*21.1*	112,393	*21.5*
General administrative costs	27,242	*4.1*	24,484	*4.4*	24,221	*4.6*
Other operating costs	9,679	*1.5*	4,733	*0.8*	5,008	*1.0*
Operating profit	**65,475**	***9.8***	**36,138**	***6.5***	**24,060**	***4.6***
Financial revenue	4,792	*0.7*	4,026	*0.7*	3,785	*0.7*
Financial costs	1,107	*0.1*	1,406	*0.3*	5,638	*1.1*
Profit (loss) on derivative financial instruments	552	*0.1*	-	-	529	*0.1*
Profit from sales of shares	-	-	-	-	3,670	*0.7*
Profit/(loss) before tax	**69,712**	***10.5***	**38,758**	***6.9***	**26,406**	***5.0***
Income tax	13,174	*2.0*	6,910	*1.2*	4,648	*0.9*
Profit/ (loss) of the period	**56,538**	***8.5***	**31,848**	***5.7***	**21,758**	***4.2***

3. Key financial ratios

	2013	2012	2011
Liquidity ratios			
Current ratio I total current assets short-term liabilities	3.1	2.5	3.1
Current ratio II total current assets – inventories short-term liabilities	1.9	1.4	1.6
Activity ratios			
Repayment of receivables in days average trade receivables x 360 days sales revenues	43	52	55

Inventory turnover average inventory x 360 days cost of sales	90	99	107
Profitability ratios Return on assets net profit/loss total assets	10.5%	6.7%	4.7%
ROE net profit/loss equity	15.3%	9.5%	7.2%
Net return on sales net profit/loss sales revenues	8.5%	5.7%	4.2%
Liability ratios Repayment of liabilities in days average trade liabilities* x 360 days cost of sales	30	31	36
Debt ratio long- and short-term liabilities total liabilities and equity	0.3	0.3	0.3

*) average balance of receivables, inventories and liabilities is calculated as the arithmetic mean of the value of items of the opening balance and the closing balance

4. Note

In the audited period, the sales revenue increased by 19.1% in comparison with the previous year, whereas own costs of sales increased by 12.3%. As a result, the Company achieved a sales result 33.3% higher than in the previous year. The share of the cost of sales and general management in sales revenues remained at a similar level as last year.

Increase of other operating costs by 105.8% is due to creation of write-downs in the audited period. The level of net financial result was also affected by a positive result on financial operations including in particular revenues from dividend from subsidiaries.

In 2013, the Company generated net profit in the amount of PLN 56.54 million, as compared to PLN 31.87 million in 2012, which means an increase of 77.4%.

The achieved net result affected the level of profitability ratios as compared with the previous year:

- Asset profitability ratio increased from 6.7% in 2012 to 10.5% in the current year,
- net sales profit margin increased from 5.7% in the previous year to 8.5% in 2013,
- return on equity increased from 9.5% last year to 15.3% in the audited year.

The structure of the assets, as in the previous year, includes primarily tangible fixed assets, whose share decreased from 39.8% to 34.8%% of total assets, and inventory, whose share in the structure remained at the level of 21.0%.

The structure of liabilities is dominated by equity. The share of equity in the financing activities of the Company decreased from 70.9% last year to 68.4% in the audited year. The debt ratio did not change and was similar to the previous year (at the level of 0.3).

Both current ratio I and current ratio II improved. Current ratio I increased from 2.5 in 2012 to 3.1 in the audited year and current ratio II increased from 1.4 to 1.9.

Liabilities repayment rate was 30 days and it slightly decreased as compared to the previous year, when it was 31 days. Receivables repayment rate also improved and fell from 52 days in 2012 to 43 days in 2013. Inventory turnover improved from 99 days in the previous year to 90 days in the audited year.

During the audit of the financial statements we did not find anything which would indicate that, as a result of ceasing or significantly reducing the existing operations, the Company would not be able to continue it at least in the following reporting period.

III. DETAILED PART OF THE REPORT

1. Evaluation of the accounting and internal control system

The Company has documentation describing the accounting principles adopted, specified in Article 10 of the Accounting Act. The cost accounting, asset and liability valuation, and profit/loss determination principles applied are compliant with the provisions of the International Accounting Standards, as approved by the EU, and with the provisions of the Accounting Act.

The accounting records are kept at the seat of the Company. Financial records are kept on computers using the SAP financial and accounting software. Only authorised persons have access to data and their processing system.

The basis for opening the Company's books of account as of 1 January 2013 were the financial statements drawn up as of 31 December 2012.

Entries in books of account reflect the actual status of business operations. Data are entered completely and correctly on the basis of bookkeeping documents qualified for posting.

The inventory of assets and liabilities was conducted within the scope, on the dates and with the frequency required by the Accounting Act, and it may be considered correct, and the differences found were entered and adjusted in the books of the audited period.

The audit of the internal control system was conducted to such an extent to which it is connected with the financial statements. Its purpose was not to reveal all possible irregularities in that system.

2. Information about selected important items of the statement of financial position and the profit and loss account.

The most important items of the statement of financial position and profit and loss account are described in the notes to the financial statements and in the report on the activity of the Company.

3. Notes to financial statements

Notes on adopted accounting policies and other information have been prepared in a complete and correct manner, taking into account the requirements under IFRS, and to the extent not covered by these standards – according to the requirements of the Accounting Act.

4. Statement of changes in equity

The data presented in the statement of changes in equity have been connected correctly to the statement of financial position and the books of account, and they reflect changes in the Company capital in a reliable and correct manner.

5. Statement of cash flows

The cash flow statement has been drawn up by the Company allowing for the provisions of IAS 7, using the indirect method and it shows the correct connection, respectively, with the statement of financial position, profit and loss account and entries in the books of account.

6. Report on Company operations

In line with the requirements of Article 49 of the Accounting Act and with the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of Laws of 28 January 2014, item 133), the Management Board has drawn up a report on Company operations.

Information contained in the report on operations is compliant with information contained in the audited financial statements.

7. Statement of the entity's management

The Company management has submitted a written statement on the complete presentation of data in the books of account, disclosure of all contingent liabilities, as well as non-occurrence of any material events after the balance sheet date.

8. Legality

During the audit, we found no violations of the law affecting the financial statements.

We would like to note that the tax returns and financial statements of the entity may be subject to audit by tax authorities. Tax laws in Poland are subject to frequent change and contain many ambiguities, resulting in different, sometimes conflicting, interpretations of the same rules both by business entities and by various tax authorities. Because of uncertainty as to the final interpretation of certain tax laws, the amounts disclosed in the financial statements could be changed at a later date as a result of tax return controls by tax authorities.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warsaw
Entity authorised to audit financial statements No 3355

Key certified auditor responsible for the audit:

Artur Staniszewski
Certified auditor
reg. No 9841

Acting on behalf of BDO Sp. z o.o.:

dr André Helin
President of the Management Board
Certified auditor No 90004

Dear Sirs and Madams, Dear Shareholders,

On behalf of the Management Board, I am pleased to present the financial statements, together with a summary of Fabryki Mebli FORTE S.A. operations for the year 2013.

When 2012 was drawing to an end, we were all very anxious about the future. The economic crisis would affect more and more areas of activity, and we could all hear the worried tone in everyone's questions about the nearest future. We did not succumb to pessimism but, in that situation, the plans drawn for 2013 were made very cautiously. On the one hand, we were reserved, on the other, we were aware of the upcoming opportunities for dynamic growth. We adopted two scenarios: a conservative and an aggressive one. What proved right was the dynamic development plan. Sales grew strongly in all markets, our growth rate was over 20%. In 2013, we implemented a record number of new features: more than 1,500 pieces of furniture. We sold more than 4,900,000 units of packages that were timely delivered to our customers. We took part in numerous fairs in Poland and abroad. During the International Fair in Poznań, our SNOW living room was awarded the Gold Medal, and ATTENTION won the "Furniture Plus – product of the year" contest in the dining room category.

For our Polish customers we introduced the FORTE PLUS loyalty programme, offering special designs and arrangements, as a new concept and quality of demonstrating our furniture in the stores. It is an elite group of furniture stores, which keeps growing. We also strengthened sales in foreign markets, adding new directions and distribution channels. Our new segment line of assembled furniture is very successful. The quality of our products and services is being constantly improved.

Last year, to support sales, we introduced a number of marketing activities, such as participation in the "Nasz Nowy Dom" ["Our New Home"] TV show, and we also made significant improvements in the functionality of our website, introduced an interactive product catalogue, we created a blog and Facebook company profile, allowing for fast communication and brief exchange of business information with customers.

We keep "sharpening our saws" in all sections of the company. In 2013, the streamlining of our IT network and software continued, as it is necessary for the customer care system and for all company processes. In September, we completed a successful upgrade of the SAP system. Since the very beginning we have strongly emphasized the need for a secure system with minimum switch-over time, drawing from the best practices of conducting such projects. We also significantly improved the security of services provided by IT.

We extended the use of the 3TEC system, implementing the software in the following branches of the company: in Suwałki, Białystok, and Hajnówka, as well as in cooperation hubs for all the factories. This investment facilitated the flow control of components and tracking the entire production process in all factories.

In 2013, we continued our investments in the machine park. The factory in Hajnówka saw a complete and thorough reconstruction of its production hall. The infrastructure changed, the Central Fittings Packing department was expanded with a new line, work was performed on the assembly line, and we purchased a machine for saw sharpening. The factory in Hajnówka gained a new, modern dimension. We also completed investments in Białystok and Ostrów Mazowiecka, including on the assembly line, and the drills and saws line. We optimised material flow between the manufacturing and assembly departments.

In the previous year we continued the reduction of all purchase costs by introducing central purchases and systemic support. We developed the 5S and AQL quality support systems, and the ISO 9001 management principles. We obtained the FSC Chain of Custody accreditation, which verifies FSC certified material and products along the production chain and confirms world class quality of our products.

All these actions translated into our commercial success and financial results. Our sales revenues reached PLN 666.5 million, and we closed 2013 with net profit of PLN 56.53 million.

It was a huge success for the Company and its employees in 2013. We carry out intense work for the development and support of our staff. We carried out a number of specialised training courses, supporting the staff in gaining specialised knowledge and soft management skills. We organised internship programmes for students. We continue last years' programmes for employees and their families, including English courses for employees and their children, and events related to art, science and entertainment. We implemented incentive schemes, and improved communication with staff through various meetings and internal publications. We have also improved the working conditions for office employees by renovating the entire office infrastructure, creating modern and comfortable working conditions. These efforts will continue and are scheduled to end next year, and this will contribute to improving our image as well.

On behalf of the Management Board, I wish to thank all the employees for their enormous dedication and commitment, without which the Company could not have achieved such results in 2013. I also thank all the Shareholders for the trust they have placed in us. Our cooperation renders us ready to achieve new, ambitious goals in 2014.

Maciej Formanowicz, President of the Management Board

FABRYKI MEBLI "FORTE" S.A.

Separate financial statements for the period ended 31 December 2013

Statements prepared in accordance with the International Financial Reporting Standards

Ostrów Mazowiecka, 21 March 2014

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Profit and loss account

		For the reporting period ended	
		31 December 2013	**31 December 2012 (restated)**
Continued operations	Note		
Revenue from sales of products, goods and materials	9.1.	659,845	554,127
Revenue from sales of services	9.1.	6,709	5,497
Sales revenue		666,554	559,624
Cost of sales of sold products, goods and materials	9.6.	(421,127)	(374,855)
Cost of sales of sold services	9.6.	(3,639)	(3,331)
Cost of sales		(424,766)	(378,186)
Gross profit from sales		241,788	181,438
Other operating revenue	9.2.	2,522	2,074
Costs of sales	9.6.	(141,914)	(118,157)
General administrative costs	9.6.	(27,242)	(24,484)
Other operating costs	9.3.	(9,679)	(4,733)
Operating profit (loss)		65,475	36,138
Financial revenue	9.4.	4,792	4,026
Financial costs	9.5.	(1,107)	(1,406)
Profit (loss) on derivative financial instruments	36.2.	552	-
Profit from sales of shares		-	-
Profit (loss) before tax		69,712	38,758
Income tax	10.	(13,174)	(6,910)
Profit (loss) on continued operations of the period		56,538	31,848
Discontinued operations		-	-
Profit (loss) on discontinued operations of the period		-	-
Profit (loss) of the period		56,538	31,848
Profit (loss) per share for the period:	13.		
- basic		2.38	1.34
- diluted		2.38	1.34

Total income statement

	Note	For the reporting period ended 31 December 2013	31 December 2012 (restated)
Profit (loss) of the period		56,538	31,848
Other net comprehensive income, including:		358	17,879
Items which in the future will not be reclassified to the profit and loss account		59	25
Revaluation of employee benefit obligations		(201)	31
Deferred tax regarding employee benefits		38	(6)
Incentive Scheme	37.1.	222	-
Items which in the future may be reclassified to the profit and loss account		299	17,854
Hedge accounting		369	22,042
Income tax on hedge accounting		(70)	(4,188)
Total comprehensive income for the period		56,896	49,727

Financial situation statement (balance)

	Note	As at 31 December 2013	As at 31 December 2012 (restated)
ASSETS			
Non-current assets		245,283	244,474
Property, plant and equipment	17.	188,036	188,107
Intangible assets	19.	16,620	16,092
Investment properties	18.	29,751	29,751
Financial assets	21.	10,876	10,524
Current assets		294,442	227,956
Inventory	22.	113,087	99,119
Trade and other receivables	23	99,486	90,015
Receivables due to derivative financial instruments	25.,36.2.	9,824	8,950
Income tax receivables		-	-
Accruals	24.	1,788	2,341
Financial assets	26.	980	957
Cash and cash equivalents	27.	69,277	26,574
TOTAL ASSETS		539,725	472,430
LIABILITIES			
Equity		369,138	334,806
Share capital	28.1.	23,751	23,751
Supplementary capital from share premium		111,646	111,646
Revaluation reserve from hedging instruments	28.3.	7,548	7,249
Business combination capital		(1,073)	(1,073)
Incentive Scheme	37.1.	420	198
Other reserve capital	28.3.	146,803	137,494
Retained earnings	28.4.	80,043	55,541
Long-term liabilities		75,381	47,810
Interest-bearing loans and borrowings	29.	58,178	29,900
Deferred income tax provision	10.2.	12,450	13,802
Provision for benefits after the employment period	16.1.,30.	2,552	2,084
Accruals	30.	86	110
Financial liabilities due to lease	15.	2,115	1,914
Other financial liabilities		-	-
Short-term liabilities		95,206	89,814
Trade and other liabilities	31.	56,528	44,428
Liabilities due to derivative financial instruments	36.2.	-	-
Current portion of interest-bearing loans and borrowings and securities	29.	9,259	29,624
Income tax liabilities	31.	10,963	431
Provisions and accrued liabilities	30.	17,700	14,203
Financial liabilities due to lease	15.	756	1,128
Total liabilities		170,587	137,624
TOTAL LIABILITIES AND EQUITY		539,725	472,430

Statement of cash flows

	For the reporting period ended	
	31 December 2013	31 December 2012 (restated)
Cash flow from operating activity		
Profit/ (loss) of the period	56,538	31,848
Adjustments by:	16,113	34,562
Amortisation and depreciation	16,309	15,259
Foreign exchange (profit)/loss	455	(5,129)
Net interest and dividends	(2,438)	(1,547)
(Profit)/ Loss on investing activity	1,215	314
Change in the valuation of derivative financial instruments	(506)	(4,188)
Change in receivables	(9,459)	7,171
Change in inventories	(13,968)	10,749
Change in liabilities, excluding loans and borrowings	10,841	599
Change in prepayments and accruals	4,026	4,255
Change in provisions	(1,383)	5,486
Income tax paid	(4,026)	(4,257)
Current tax recognised in profit or loss	14,558	5,819
Provision for retirement benefits	267	31
Valuation of the Incentive Scheme	222	-
Other adjustments	-	-
Net operating cash flow	72,651	66,410
Cash flows from investment activities		
Sales of property, plant and equipment and intangible assets	937	1,322
Purchases of property, plant and equipment and intangible assets	(16,578)	(30,179)
Disposal of financial assets	-	-
Purchase of financial assets	-	(50)
Dividends received	3,438	2,836
Interest received	97	120
Borrowings granted	(1,691)	-
Repayment of borrowings granted	1,363	622
Other investment inflows	-	-
Other investment outflows	-	-
Net investment cash flow	(12,434)	(25,329)
Cash flows from financing activities		
Inflow from loans and borrowings taken out	25,806	22,041
Repayment of loans and borrowings	(18,365)	(38,294)
Dividends paid	(22,564)	(17,813)
Interest paid	(1,103)	(1,483)
Repayment of leasing liabilities	(1,273)	(2,768)
Other financial inflows	-	-
Other financial expenses	-	-
Net financial cash flow	(17,499)	(38,317)
Net increase (decrease) in cash and cash equivalents	42,718	2,764
Net foreign exchange differences	15	50
Opening balance of cash	26,574	23,860
Cash at end of year, including:	69,277	26,574
of limited disposability		-

* The Company made a presentation adjustment of comparative data of cash flows, a more detailed description of which can be found in Note 4 hereto.

Statement of changes in equity

for the year ended 31 December 2013

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Revaluation reserve from hedging instruments	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2013	23,751	111,646	55,541	7,249	137,494	(1,073)	198	334,806
Changes in adopted accounting principles (policy)	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-
As at 1 January 2013 after adjustments	23,751	111,646	55,541	7,249	137,494	(1,073)	198	334,806
Impairment of retained earnings to reserve capital	-	-	(9,309)		9,309	-		-
Payment of dividend for 2012	-	-	(22,564)			-		(22,564)
Provisions for employee benefits	-	-	(163)			-		(163)
Current result	-	-	56,538			-		56,538
Hedge accounting	-	-	-	299		-		299
Valuation of the Incentive Scheme	-	-	-			-	222	222
Comprehensive income for the period	-	-	56,375	299		-	222	56,896
As at 31 December 2013	23,751	111,646	80,043	7,548	146,803	(1,073)	420	369,138

Statement of changes in equity

for the year ended 31 December 2012 (restated)

	Share capital	Supplementary capital from share premium	Retained earnings/ (accumulated loss)	Revaluation reserve from hedging instruments	Other reserve capital	Business combination capital	Incentive Scheme	Total
As at 1 January 2012	23,751	111,646	45,426	(10,605)	133,550	(1,073)	198	302,893
Changes in adopted accounting principles (policy)	-	-		-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-
As at 1 January 2012 after adjustments	23,751	111,646	45,426	(10,605)	133,550	(1,073)	198	302,893
Impairment of retained earnings to reserve capital	-	-	(3,945)	-	3,945	-	-	-
Payment of dividend for 2011	-	-	(17,813)	-	-	-	-	(17,813)
Provisions for employee benefits	-	-	25	-	-	-	-	25
Current result	-	-	31,848	-	-	-	-	31,848
Hedge accounting	-	-		17,854	-	-	-	17,854
Comprehensive income for the period	-	-	31,873	17,854	-	-	-	49,727
As at 31 December 2012	23,751	111,646	55,541	7,249	137,494	(1,073)	198	334,806

ACCOUNTING POLICIES AND EXPLANATORY NOTES

1. General information

The financial statements of Fabryki Mebli "FORTE" S.A. cover the year ended 31 December 2013 and include comparative data for the year ended 31 December 2012.

Fabryki Mebli FORTE S.A. ("Company") was established by a Notarial Deed of 25 November 1993. The Parent Company's seat is located in Ostrów Mazowiecka, ul. Biała 1.

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

The Parent Company was assigned the statistical number REGON: 550398784.

The duration of the Company is perpetual.

Main activities of the Parent Company include:

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

Composition of the Company's Management Board

The Management Board of the Company as at 31 December 2013 consisted of:

- Maciej Formanowicz – President of the Management Board
- Robert Rogowski – Vice President of the Management Board.
- Gert Coopmann – Member of the Management Board
- Klaus Dieter Dahlem – Member of the Management Board

Changes in the composition of the Management Board of the Company

On 10 January 2014, Robert Rogowski, Vice President of the Management Board, submitted a statement of resignation from the position of Vice President.

On the same day, the Company's Supervisory Board appointed as of 1 March 2014 Mariusz Gazda as Member of the Management Board of the Company.

Identification and approval of the financial statements

The Company drew up the financial statements for the year ended 31 December 2013, which were authorised for issue on 21 March 2014.

Company's investments

The Company owns investments in the following subsidiaries:

Subsidiaries	Registered office	Scope of activities	Percentage share of the Group in the capital	
			31.12.2013	31.12.2012
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%
Forte Baldai UAB	Vilnius (Lithuania)	Dealership	100%	100%
Forte SK S.r.o.	Bratislava (Slovakia)	Dealership	100%	100%
Forte Furniture Ltd.	Preston (United Kingdom)	Dealership	100%	100%
Forte Iberia S.l.u.	Valencia (Spain)	Dealership	100%	100%
Forte Mobilier S.a.r.l.	Lyon (France)	Dealership	100%	100%
Forte Mobila S.r.l.	Bacau (Romania)	Dealership	100%	100%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	77.01%	77.01%
** Galeria Kwadrat Sp. z o.o.*	*Bydgoszcz*	*Management of real property*	*77.01%*	*77.01%*
TM Handel Sp. z o.o.	Warsaw	Advisory services regarding conducting business activity and management	100%	100%
TM Handel Sp. z o.o. S.K.A.	Ostrów Mazowiecka	Purchase, sale and management of real	100%	100%

		property, advisory services regarding conducting business activity and management		
***Fort Investment Sp. z o.o.*	*Ostrów Mazowiecka*	*Purchase, sale and management of real property, advisory services regarding conducting business activity and management*	*100%*	*100%*

* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related company – 100% subsidiary of TM Handel Sp. z o.o. SKA

As at 31 December 2013 and as at 31 December 2012, the percentage of voting rights held by the Company in the subsidiaries corresponded to the percentage held in the share capital of those entities.

2. Important values based on professional judgement and estimations

2.1. Judgements

In the process of applying the accounting policies to the issues discussed below, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification of lease agreements

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

Depreciation and amortisation rates

Depreciation and amortisation rates are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets. The economic useful lives are reviewed annually by the Company based on current estimates.

2.2. Uncertainty of estimates

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

Impairment of assets

The Company carried out the analysis of impairment of inventories. The results of the analysis of impairment of inventories have been presented in note 22 to the financial statements.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Company applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of financial instruments are presented in note 35.2.

Valuation of provisions

Provisions for employee benefits are determined using actuarial valuations. The assumptions made in this respect are presented in note 16.1.

Deferred tax assets

The Company recognises a deferred tax asset on the basis of the assumption that taxable profit shall be achieved in future against which it can be utilised. The decrease in the tax results in the future could make this assumption unjustified.

3. Basis for preparation of the financial statements

These financial statements have been drawn up on the assumption that the Company will continue its business operations in the foreseeable future. As at the date of approval of these financial statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continuing activity of the Company for at least 12 months following the balance sheet date as a result of any intended or compulsory withdrawal or significant limitation in the activities of the Company.

The consolidated financial statements are presented in Polish zloty and all values are rounded to the nearest thousand (PLN '000) except when otherwise indicated.

These financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, and financial assets valued at fair value through profit or loss.

To fully understand the financial position and operating results of Fabryki Mebli "FORTE" S.A. as the Parent Company in the Capital Group, these financial statements should be read together with the annual consolidated financial statements for the period ended 31 December 2013.

The financial statements will be available on the website of the Company at www.forte.com.pl in the period in keeping with the current report regarding the deadlines for providing the annual and consolidated annual statement for 2013.

Declaration of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU.

As of the date of approval of these financial statements for publication, taking into account the ongoing process of the introduction of IFRS in the EU and the activity conducted by the Company, there is no difference between the IFRS which entered into force and IFRS as adopted by the EU in respect of the accounting principles used by the Company.

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

Functional currency and presentation currency

Functional currency and presentation currency of the Company in these financial statements is Polish zloty.

4. Changes in accounting principles and error corrections

The following new or changed standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are effective from 1 January 2013:

- Amendment to IAS 1 "*Presentation of Financial Statements"* as a result of "*Improvements to IFRS" in the 2009–2011 cycle*
- Amendment to IAS 12 *Deferred tax: Recovery of underlying assets*
- Amendments to IFRS 7 *Disclosures – Offsetting financial assets and financial liabilities*
- Amendments to IFRS 13 *–Fair value measurement*
- IAS 19 (2011) "Employee benefits" – Amendments to the accounting of post-employment benefits

The application of the amendments had an insignificant influence on the operating results and financial position of the Company.

It resulted e.g. in changes to the applied accounting principles, or expansion of the scope of necessary disclosures, or change of terminology used. The influence of the changes has been presented below in a detailed description of each standard.

- Amendment to IAS 12 *Deferred tax: Recovery of underlying assets*

Amendment to IAS 12 was published on 20 December 2010 and is applied to annual periods starting on 1 January 2012 or later. The change clarifies, among other things, the method of valuation of deferred tax assets and provisions in the case of investment properties measured using the fair value model in IAS 40 Investment Property. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets is accordingly withdrawn.

The Company applies the amended IAS from 1 January 2013. The amended IAS 12 has no impact on the Company's financial statements.

- Amendments to IFRS 7 *Disclosures – Offsetting financial assets and financial liabilities*

Amendments to IFRS 7 were published on 16 December 2011 and are applied to annual periods starting on 1 January 2013 or later. Without changing the general principles related to compensating assets and financial liabilities, the scope of disclosures related to mutually compensated amounts was extended. Also, a requirement was introduced for broader (more transparent) disclosures related to credit risk management using received or issued securities (pledges). The Company has applied the amended IFRS since 1 January 2013.

- Amendments to IFRS 13 – *Fair value measurement*

The new standard was published on 12 May 2011 and its aim was to facilitate the use of fair value measurement by reducing the complexity of solutions and increasing consistency in the use of fair value method. The standard clearly states the purpose of such measurement and precisely defines fair value.

IFRS 13 provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. IFRS 13 has a broad scope: guidelines concerning the fair value measurement apply to both the items of financial and non-financial instruments, for which other IFRSs require or permit measurements at fair value and disclosures about measurement at fair value. It does not apply to share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IAS 17, and measurements that have some similarities to fair value but that are not fair value, such as net realisable value or value in use).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market on the measurement date and at current market conditions. According to IFRS 13, fair value is an exit price, whether it is directly observable or estimated with the use of another measurement technique. Moreover, IFRS 13 includes extensive information concerning information disclosure.

IFRS 13 is required prospectively from 1 January 2013. The standard provides also transitional provisions, thanks to which comparative information need not be disclosed for periods before initial application of the Standard. In line with the transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the comparative period for 2012. Apart from additional disclosures, the application on IFRS 13 had no significant influence on the amounts given in separate financial statements.

- Amended IAS 19 (2011) "*Employee benefits"*

Amended IAS 19 (2011) "Employee benefits" – Amendments to the accounting of post-employment benefits. The Company applied the amended IAS 19 (2011) and the resulting other changes for the first time in the current reporting period.

IAS 19 (2011) changes the method of recognition of defined benefit plans and benefits from dissolution of employment. The most important change concerns the recognition of changes in liabilities for defined benefits and plan assets. The changes require that changes in liabilities for specific benefits and fair value of plan assets be recognised immediately. The method thus eliminates the "corridor approach", admissible in the previous version of IAS 19, and accelerates the recognition of costs of past employment. All actuarial gains and losses are recognised immediately in other comprehensive income to recognise net pension plan assets or liabilities in the consolidated statements of financial situation, to reflect the complete value of the plan deficit or surplus. Moreover, the cost of interest and expected return on plan assets from the previous version of IAS 19, are replaced in IAS 19 (2011) with "net interest", determined by applying the discount rate to net defined benefit liability or asset. The changes influenced the values recognised in the profit and loss account and other comprehensive income in the previous years (see the tables below). What is more, IAS 19 (2011) introduced certain changes in the presentation of costs of defined benefits and introduced broader disclosures.

Until initial application of IAS 19 (2011), detailed transitional provisions apply. The Company applies relevant transitional provisions and retrospectively restated comparative data (see the tables below).

Items in the profit and loss account	31.12.2012	Adjustments resulting from IAS 19	As at 31.12.2012 after adjustments
Other operating costs	(4,702)	(31)	(4,733)
Income tax	(6,916)	6	(6,910)
Profit (loss) on continued operations of the period	31,873	(25)	31,848

Items in the statement of comprehensive income	31.12.2012	Adjustments resulting from IAS 19	As at 31.12.2012 after adjustments
Profit (loss) of the period	31,873	(25)	31,848
Other net comprehensive income, including:	17,854	25	17,879
Items which in the future will not be reclassified to the profit and loss account, including:	-	25	25
Revaluation of employee benefit obligations	-	31	31
Deferred tax regarding employee benefits	-	(6)	(6)

Items in the statement of financial position	31.12.2012	Adjustments resulting from IAS 19	As at 31.12.2012 after adjustments
Provision for benefits after the employment period	2,100	(16)	2,084
Short-terms provisions and accrued liabilities	14,187	16	14,203

Items in the statement of cash flows	31.12.2012	Adjustments resulting from IAS 19	As at 31.12.2012 after adjustments
Profit/ (loss) of the period	31,873	(25)	31,848
Change in prepayments and accruals	4,239	16	4,255
Change in provisions	5,508	(22)	5,486
Provision for pensions and disability benefits recognised in the result	-	31	31

Both in the current reporting period and in the comparative period, no adjustment occurred.

5. Amendments to existing standards and new regulations which are not in effect for periods starting from 1 January 2014.

In these financial statements the Company did not decide to apply early the published standards or interpretations before their effective date.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee but have not yet come into force as at the balance sheet date:

- IFRS 10 *Consolidated Financial Statements*

The new standard was published on 12 May 2011 and is to replace interpretation *SIC 12 Consolidation – Special Purpose Entities* and some of the provisions of *IAS 27 Consolidated and Separate Financial Statements*. The standard defines the notion of control as a determining factor of whether an entity should be covered by consolidated financial statements and contains guidelines helping determine whether an entity exercises control or not. The Company will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- IFRS 11 *Joint arrangements*

The new standard was published on 12 May 2011 and is to replace interpretation *SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and IAS 31 Interests In Joint Ventures.* The standard emphasizes the rights and obligations resulting from a joint agreement regardless of its legal form and eliminates inconsistency in reporting through specific methods of settling shares in jointly controlled entities.

The Company will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- IFRS 12 *Disclosure of Interests in Other Entities*

The new standard was published on 12 May 2011 and contains requirements regarding disclosures of information concerning connections between entities.

The Company will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- IAS 27 *Separate Financial Statements*

The new standard was published on 12 May 2011 and results primarily from the transfer of some of the provisions of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements in the scope of presentation and disclosures in separate financial statements of investments in associates and joint ventures. The standard replaces the existing IAS 27 *Consolidated and Separate Financial Statements.*

The Company will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- IAS 28 *Investments in Associates and Joint Ventures*

The new standard was published on 12 May 2011 and regards settling investments in associates. It also determines the requirements for using the equity method in investments in associates and in joint entities. The standard replaces the existing IAS 28 *Investments in Associates*

The Company will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- Amendments to IAS 32 *Offsetting financial assets and financial liabilities*

Amendments to IAS 32 were published on 16 December 2011 and are applied to annual periods starting on 1 January 2014 or later. These amendments are a reaction to the existing incoherence in applying criteria for offsetting which exist in IAS 32.

The Company will apply the amended IAS from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the changed standard.

- Guidelines regarding transitional provisions (amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidelines were published on 28 June 2012 and contain additional information with regard to using IFRS 10, IFRS 11 and IFRS 12, which includes the presentation of comparative data in the case of using the above-mentioned standards for the first time.

The Company will apply the amendments from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

The IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the below-listed standards, interpretations and amendments to them, which as at the date of approval of these financial statements for publication had not yet been adopted for application by the EU:

- IFRS 9 *Financial instruments* (as amended),

IFRS 9 requires that all financial assets within the scope of IAS 39 be measured at amortised cost or at fair value. Debt instruments kept within a business model, where the objective is to hold the financial asset to collect the contractual cash flows, consisting of payments of principal and interest on the principal amount, are measured at amortised cost at the end of each reporting period. All other debt instruments and equity investments are measured at fair value at the measurement day. Additional, changes in fair value of equity investments, which are not intended for trade, may be presented in other comprehensive income, but only dividend should be recognised in the profit and loss account. The decision is irreversible.

For the measurement of gains and losses on financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that they be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss, unless it creates an accounting mismatch. Changes in fair value attributable to credit risk of the financial liability are not transferred to financial result in the subsequent reporting years. According to IAS 39, the entire change in fair value of the liability designated as at fair value through profit or loss was related to the result.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Amendments to IAS 19 *"Employee benefits" – Defined benefit plans: Employee Contributions* (effective for annual periods beginning on or after 1 July 2014),

The above changes apply to the scope of application of the standard to contributions from employees or third parties for defined benefit plans. The aim of the amendments is to simplify the accounting of contributions, which are independent from the number of years of service (e.g. employee benefits determined as constant percentage of remuneration).

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Amendments to IAS 36 "Impairment of Assets" – *Recoverable Amount Disclosures for Non-Financial Assets*

(effective for annual periods beginning on or after 1 January 2014),

Changes to IAS 36 to a small extent refer to disclosure of information about the recoverable amount of assets, where an amount was deducted for impairment and when the recoverable amount is based on fair value less costs of disposal. By developing IFRS 13 "Fair Value Measurement" IASB decided to change IAS 36 to introduce the requirement of disclosure of information about the recoverable amount of assets, where an amount was deducted for impairment. The changes reveal the original intention of IASB, as the scope of the disclosure is limited only to the recoverable amount of assets, where an amount was deducted for impairment, and when the recoverable amount is based on fair value less costs of disposal.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Amendments to IAS 39 "Financial Instruments: Presentation, Recognition, and Measurement"- *Novation of derivatives and continuing hedge accounting*

(effective for annual periods beginning on or after 1 January 2014).

The changes to a small extent permit the continuation of hedge accounting in the case of novation of a derivative (designated as a hedging instrument) in such a way that a central entity becomes a party to the derivative subject to specific conditions.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Interpretation of IFRIC 21 "Levies"

(effective for annual periods beginning on or after 1 January 2014).

criteria for recognising a liability, one of which is the requirement for a current liability resulting from past events (so-called obligating event). The interpretation clarifies that the obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and is applied to annual periods starting on 1 January 2016 or later. The new standards is of a transitional nature in relation to the ongoing works of the IASB to regulate the manner of settling operations in the conditions of price regulation. Standard. The standard introduces the principles of recognising assets and liabilities resulting from transactions with regulated prices in the case when the entity decides to adopt IFRS.

The Company will apply the new standard from 1 January 2016.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

At the same time, hedge accounting of the asset portfolio and financial liabilities, the principles of which have never been approved for application in the EU, remains beyond the regulations adopted by the EU.

According to the estimates of the entity, the application of hedge accounting of the asset portfolio or financial liabilities according to IAS 39 "Financial Instruments: Recognition and Measurement" would not have any significant influence of the financial statements, if it was adopted by the EU for application as at the balance sheet day.

6. Summary of significant accounting policies

6.1. Shares in subsidiaries, interdependent entities, associates and joint ventures

Shares in subsidiaries, interdependent entities, associates and joint ventures are recognised according to the historical cost concept, according to IAS 27, corrected by the impairment write-downs determined pursuant to the principles set forth in IAS 36.

6.2. Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are recognised net of Value Added Tax (VAT) and discounts. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

Interest

Revenue is recognised as interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the shareholders' rights to receive the payment are established.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the profit and loss account over the estimated useful life of the relevant asset by way of equal annual instalments.

6.3. Earnings per share

Earnings per share for each reporting period are calculated as quotient of the net profit for the given accounting period and the weighted average of shares of the Company outstanding in that period.

6.4. Lease

The Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in a way to produce a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the two periods: the lease term or the estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The Company as a lessor

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. As the lessor, the Group enters into rental agreements for premises in investment real properties. Income under such agreements is recognised on a current basis.

6.5. Foreign currency translation

For entities whose functional currency is the zloty, transactions expressed in foreign currencies are converted to PLN at the exchange rate applicable as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted to PLN at the average exchange rate of the National Bank of Poland applicable as at the reporting date. The resulting exchange rate differences are recognised under financial revenue/costs or, in the cases provided for in the accounting principles (policy), capitalised at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies are recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted at the average exchange rate applicable as at the date of the measurement at fair value. The following exchange rates were applied for valuation purposes:

	31 December 2013	31 December 2012
USD	3.0120	3.0996
EUR	4.1472	4.0882
CHF	3.3816	3.3868
GBP	4.9828	5.0119

6.6. Borrowing costs

Borrowing costs, which can be directly attributed to purchase, creation or construction of fixed assets are capitalised as part of the cost of its construction. Borrowing costs include interest and foreign exchange gains or losses to the extent they are regarded as an adjustment of interest costs. Other finance costs are recognised as an expense in the period.

6.7. Retirement benefits

In accordance with the applicable remuneration systems, employees of the Company are entitled to retirement severance pays.

Retirement benefits are paid out as one-off benefits upon retirement. The amount of those benefits depends on the number of years of employment and the employee's average salary. The Company makes a provision for retirement benefits in order to allocate the costs of those allowances to the periods to which they relate.

In accordance with IAS 19, retirement benefits are post-employment defined benefits. The present value of such obligations as at each balance sheet date is determined by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and remuneration increase rate. Demographic information and information on staff turnover are based on historical information.

Benefit costs are divided into the following components:

- the current service cost (change of provisions resulting from the accumulation of liabilities over the period of extending time of service and age of employees)
- interest costs (increase in liabilities related to the interest rate; it is the product of the value of liabilities at the beginning of the year and the rate of interest used for the discount)
- actuarial profit/ loss is the change resulting from the differences between the assumptions and their implementation and the changes adopted in the calculation of parameters and assumptions

The Company presents the first two components of defined benefit cost in the financial result.

Revaluations recognised in other comprehensive income are immediately reflected in retained earnings and will not be transferred to the profit and loss account.

6.8. Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model. In the valuation of equity-settled transactions, only market factors are considered.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Management Board of the Company at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. In the current reporting period and in the comparative period there were no equity-settled transactions.

6.9. Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

For the purposes of financial reporting, deferred tax is calculated using the liability method, on temporary differences arising as at the end of the reporting period between the tax value of assets and liabilities and their book value presented in the financial statements.

Deferred tax liability is recognised for all taxable temporary differences

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

The Company offsets deferred tax assets and deferred tax liabilities only if it has a legally enforceable right to offset current tax receivables with liabilities, and deferred tax asset is related to the same taxpayer and the same tax authority.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

6.10. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of purchase and bringing the asset to a working condition for its intended use. Cost comprises also the cost of replacement of components of fixed assets when incurred if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.

Upon purchase, fixed assets are divided into components which represent items with a significant value and which can be allocated a separate depreciation period. Major overhauls are also treated as a separate component.

The Company qualifies as fixed assets the right of perpetual usufruct of land, granted by way of an administrative decision, which is considered equally with purchased land, assuming that it meets the definition of fixed assets.

Property, plant and equipment are depreciated using the straight line method over their estimated useful lives:

Type	2013	2012
Buildings and structures	25–50 years	25–50 years
Plant and machinery	5–50 years	5–50 years
Office equipment	3–10 years	3–10 years
Means of transport	5–10 years	5–10 years
Computers	3–5 years,	3–5 years,
Leasehold improvements	5–10 years	5–10 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually, and, if necessary, adjusted retrospectively, i.e. with effect from the beginning of the completed financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is recognised in the profit and loss account for the period in which derecognition took place.

Construction in progress (CIP) include assets in the course of construction or assembly and are recognised at acquisition price or cost of construction, less the possible impairment write-downs. Assets under construction are not depreciated until completed and brought into use.

6.11. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in the profit and loss account for the period in which it arose.

Investment property is derecognised when disposed of or permanently withdrawn from use and when no future benefits are expected from its disposal. Gains or losses on derecognition of investment property are recognised in the profit and loss account for the year in which such derecognition took place.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. If the asset is used by the owner, it becomes an investment property. The Company applies the principles defined under *Property, Plant and Equipment* up to the date of change in use.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

6.12. Intangible assets

Intangible assets acquired separately or constructed (if they meet the criteria for recognition of R&D works) are measured on initial recognition at the purchase price or cost of construction. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at acquisition price or cost of construction less any accumulated amortisation and any accumulated impairment losses. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Company to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted for with effect from the beginning of the financial year that has just ended.

Costs of research and development

R&D costs are written off in the profit and loss account when identified. Expenditure on development activities carried out within the project are carried forward to the next period, if it can be considered to be recovered in the future. After the initial recognition of the expenditure on development, the historical cost model is applied requiring the asset to be carried at the cost of purchase less accumulated amortisation and accumulated impairment losses. All expenditure carried forward is amortised over the expected period of obtaining revenue from the sale of the project.

Costs of development works are tested for impairment annually – if the asset has not yet been put to use, or more often – when, during the reporting period, there is an indication of impairment showing that their carrying amount might not be recoverable.

A summary of the policies applied to the Company's intangible assets is as follows:

	Patents and licenses	Computer software	Other
Useful life	For patents and licenses used on the basis of a fixed-term agreement this period is assumed taking into account the additional period for which use can be extended.	5 years	5 years
Depreciation method applied	Amortised over the term of the contract – the straight-line method.	Using the straight-line method.	Using the straight-line method.
Internally generated or acquired	Acquired	Acquired	Acquired
Verification for impairment	Annual assessment of whether there is any indication of impairment.	Annual assessment of whether there is any indication of impairment.	Annual assessment of whether there is any indication of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

6.13. Impairment on non-financial non-current assets

An assessment is made at each reporting date to determine whether there is any indication that an asset from non-financial fixed assets may be impaired. If the Company finds that there is such evidence, or if the Company is required to perform annual impairment tests (in the case of goodwill), the Company estimates the recoverable amount of the given asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is equal to the higher of the asset's or cash-generating unit's fair value less costs to sell or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in other operational costs.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such evidence exists, the Company measures the recoverable amount of the given asset. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in the profit and loss account. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

6.14. Non-current assets held for sale

Fixed assets and disposal groups are classified as intended for sale if their carrying amount is more likely to be recovered through a sale transaction than as a result of their continued use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The classification of assets as intended for sale implies that the management of the Company intends to complete the sale within one year from the date of reclassification.

Fixed assets (and disposal groups) classified as intended for sale are posted at the lower of the following values: balance sheet value or fair value less selling expenses.

In the statement of financial position, assets intended for sale (or disposal group) are presented as a separate item of assets. Should there be any liabilities related to the disposal group which are to be transferred in the transaction together with the disposal group, these liabilities are presented as a separate item of liabilities.

6.15. Inventory

Inventories are valued at the lower of acquisition price/cost of construction and realisable value.

Costs incurred in bringing each inventory item to its present location and condition – both for this and the previous reporting period – are recognised as follows:

Materials	- purchase cost determined on a weighted average basis.
Finished products and work in progress	- cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity utilisation, excluding external financing costs;
Goods	- purchase cost determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

6.16. Financial assets

Financial assets are classified into one of the following categories:

- Financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans granted and receivables,
- Financial assets available for sale.

Financial assets held to maturity

Financial assets held to maturity include investments with fixed or determinable payments and fixed maturities, which the Company has the positive intention and ability to hold until maturity. Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

Financial assets at fair value through profit or loss

Financial assets purchased with the aim of generating profit with the short-term price fluctuations are classified as financial assets at fair value through profit or loss Derivatives are also classified as held for trading unless they are designated for hedging instruments, as long as they are not hedging instruments within hedge accounting. Financial assets are measured at fair value, which takes into account their market value as at the balance sheet date without taking into account the cost of sale. Any change in the fair value of these instruments is taken to finance costs or finance income on the profit and loss account. Financial assets at fair value through profit or loss are classified as current assets.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss. This does not apply to the cases where the embedded derivative does not significantly modify the cash flows or where it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

(ii) the assets are a part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) the financial assets contain an embedded derivative that should be recognised separately.

Loans granted and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans granted and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. They are measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

All other financial assets are available-for-sale financial assets. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if a quoted market price determined on the regulated market is available or if the fair value can be determined using another reliable method), are taken to the revaluation reserve. Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the profit and loss account and recorded under finance cost.

Purchase and sale of financial assets is recognised at the transaction date. Financial assets are initially recognised at fair value plus those transaction costs for all financial assets not carried at fair value through profit or loss that are directly attributable to the acquisition.

Financial assets are derecognised if the Company loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

6.17. Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans granted and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected losses from capitalised liabilities that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate determined at initial recognition). The carrying amount of the asset is reduced either directly or through provision. The amount of the loss shall be recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between the acquisition cost (net of any principal payment and amortisation and – in the case of financial assets valued according to amortised cost with the application of effective interest rate method – the amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the profit and loss account. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in the profit and loss account unless, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed, with the amount of the reversal recognised in the profit and loss account.

6.18. Embedded derivative instruments

Embedded derivative instruments are separated from agreements and accounted for as derivative instruments, if all the following conditions are met:

- the economic nature and risks of the embedded derivative are not closely related to the economic nature and risks of the agreement in which the instrument is embedded;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative instrument;
- hybrid instrument (complex) is not recognised at fair value and changes in fair value are not recognised in the profit and loss account.

Embedded derivatives are recognised in a similar manner as individual derivatives that are not designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks inherent to embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the main agreement (main contract) also covers situations when the currency of the main agreement is commonly used in contracts to purchase or sell non-financial items in the market for a given transaction.

Assessment of whether an embedded derivative should be separated is made by the Company upon its initial recognition.

6.19. Financial derivatives

Derivative instruments used by the Company to hedge its risks associated with changes in foreign exchange rates are foreign exchange forward contracts and zero-cost option strategies. Such derivative financial instruments at the balance sheet date are measured at fair value. The profit or loss is recognised in the profit and loss account, unless the derivative is designated as a hedging instrument in hedge accounting. In such case, the moment of the recognition of profit or loss depends on the nature of the hedge relationship.

Derivatives are carried as assets when the fair value balance is positive and as liabilities when the fair value balance is negative.

6.20. Hedge accounting

The Company applies the cash flow hedge accounting method, whose aim is to secure the planned sales revenues, which involve currency risk affecting the profit and loss account and whose probability of occurrence is highly likely.

The main objective of cash flow hedge accounting is to protect the operating income from changes in the exchange rate between the date of the foreign currency exposure and hedging transaction and the date of exposure and hedging transaction.

To hedge future foreign currency transactions, the Company uses:

a/ forward contracts,

b/ symmetrical option strategies.

Hedging instruments are generally held to maturity. In exceptional cases, where circumstances justify the need, the Company may decide to roll over the hedging instrument.

Changes in fair value of hedging instruments are included in the Company's equity under the revaluation of hedging instruments heading. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account in the current sales revenue – for the effective part, and in the profit (losses) on derivative financial instruments – for the ineffective part.

At the inception of the hedge, the Company formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge.

Not less frequently than at hedge inception and on the last day of the financial year, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation day.

Efficiency is considered to be high if it is between 80% and 125%.

The Company discontinues to apply hedge accounting if the hedging instrument expires or is sold, terminated, completed, or if does not meet the criteria for hedge accounting and if the Company cancels the hedging relationship. Then, the cumulative profit or loss on the hedging instrument recognised in equity remains there until the planned transaction. If the transaction is not performed, the accumulated net result recognised in equity is immediately transferred to the profit and loss account.

6.21. Trade and other receivables

Trade receivables, which generally have 1 to 3 month terms, are recognised and carried at original invoice amount less an allowance for any doubtful receivables.

A write-down for receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

6.22. Cash and cash equivalents

Cash and their equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, the cash and cash equivalents balance consists of cash and cash equivalents as defined above.

6.23. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are then measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium received in connection with the liabilities.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as by calculating the cost with the effective interest rate method.

6.24. Trade and other liabilities

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated for hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains embedded derivatives that would need to be separately recorded.

Financial liabilities at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet date less transaction costs. Changes in the fair value of these instruments are recognised in the profit and loss account as other costs or operating income.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or it expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, this is treated by the Company as a derecognition of the original liability and the recognition of a new liability. Similarly, if the terms of an existing liability are substantially modified, such a modification is treated by the Company as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

6.25. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

7. Information on operating segments

From 1 January 2009 the new IFRS 8 "Operating segments" shall apply. Pursuant to the requirements of the standard, operating segments are to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the persons deciding on the allocation of resources to the given segment and assessing its financial results. The Management Board has conducted a thorough analysis of the possibilities and justification of identifying operating segments based on IFRS 8. Internal analyses and reports for management purposes of the Company are based on the geographical directions of sales. Basically, each line of sales has an attributed person, who is directly responsible for the execution of sales plans and financial results.

Since it is not possible to obtain separate financial information that would be subject to disclosure obligation for each direction of sales, the Management Board of the Company has decided not to identify operating segments under IFRS 8.

8. Seasonality of operations

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

The value of sales revenue achieved in the period of the last two years is presented below:

	Revenues from sales of products, materials, goods and services	Sales revenue — % of share
Q1 2013	156,464	23.48%
Q2 2013	146,579	21.99%
Q3 2013	167,253	25.09%
Q4 2013	196,258	29.44%
Total for 2013	**666,554**	**100.00%**
Q1 2012	145,549	26.01%
Q2 2012	117,443	20.99%
Q3 2012	136,549	24.40%
Q4 2012	160,083	28.60%
Total for 2012	**559,624**	**100.00%**

9. Revenue and costs

9.1. Sales revenue and geographic structure

	For the reporting period ended	
Sales revenue	**31.12.2013**	**31.12.2012**
Revenue from sales of products, goods and materials	**659,845**	**554,127**
- products	646,747	538,473
- goods	9,474	12,576
- materials	3,624	3,078
Revenue from sales of services	**6,709**	**5,497**
Total net revenue from sales	**666,554**	**559,624**
Geographic structure:		
- domestic	124,510	109,497
- export	542,044	450,127
Total net revenue from sales	**666,554**	**559,624**
- including from related entities	43,063	46,183

Information on key customers

The biggest customer for the products of the Company is Roller GmbH (Germany), whose share in turnover exceeded 10% of the total Company revenue.

There are no formal ties between the customer and the Company.

9.2. Other operating revenue

	For the reporting period ended	
Other operating revenue	**31.12.2013**	**31.12.2012**
Release of write-downs on current assets	294	224
Gain on sales of property, plant and equipment	**-**	100
Revaluation of investment real property	-	528
Subsidies	492	24
Compensations	847	508
Stocktaking surplus	515	421
Other	374	269
Total other operating revenue	**2,522**	**2,074**

9.3. Other operating costs

	For the reporting period ended	
Other operating costs	**31.12.2013**	**31.12.2012** (restated)
Creation of write-downs	4,007	786
Liquidation and impairment write-downs on property, plant and equipment	459	923
Scrapping of inventory	2,571	1,826

Donations	835	206
Penalties and compensations	171	516
Court costs	25	42
Loss on sales of property, plant and equipment	756	-
Costs of employee benefits	310	254
Other	545	180
Other operating costs, total	**9,679**	**4,733**

9.4. Financial revenue

	For the reporting period ended	
Financial revenue	**31.12.2013**	**31.12.2012**
Dividends	3,438	2,836
Revaluation of financial assets	-	-
Profit on sale of financial assets	-	-
Interest	1,220	785
Exchange differences of financial assets and liabilities	134	405
Other	-	-
Financial revenue, total	**4,792**	**4,026**

9.5. Financial costs

	For the reporting period ended	
Financial costs	**31.12.2013**	**31.12.2012**
Interest on loans and leasing	1,024	1,374
Revaluation of financial assets	-	-
Commission on loans	71	32
Exchange differences of financial assets and liabilities	-	-
Other	12	-
Financial costs, total	**1,107**	**1,406**

9.6. Costs by type

	For the reporting period ended	
Costs by type	**31.12.2013**	**31.12.2012**
Amortisation and depreciation	16,309	15,259
Consumption of materials and energy	328,937	278,358
External services	128,473	104,937
Taxes and fees	7,249	7,430
Payroll	91,308	76,013
Social insurance and other benefits	22,398	17,999
Other costs by type	4,973	5,603
	599,647	**505,599**
Change in product inventory and accruals	(14,557)	3,003
Manufacturing cost of products for internal purposes	(913)	(228)
Costs of sales	(141,914)	(118,157)
General administrative costs	(27,242)	(24,484)
Manufacturing cost of sold products and services	**415,021**	**365,733**
Value of goods and materials sold	**9,745**	**12,453**
Cost of sales	**424,766**	**378,186**

9.7. Depreciation costs recognised in the profit and loss account

	For the reporting period ended	
Depreciation costs in the profit and loss account	**31.12.2013**	**31.12.2012**
Depreciation costs recognised in the:		
Own cost of sales	12,753	12,150
Costs of sale	2,123	1,858
General administrative costs	1,433	1,251
	16,309	**15,259**

9.8. Costs of employee benefits

	For the reporting period ended	
Costs of employee benefits	**31.12.2013**	**31.12.2012**
Costs of employee benefits recognised in the:		
Own cost of sales	72,870	59,178
Costs of sale	22,314	18,706
General administrative costs	18,522	16,128
	113,706	**94,012**

10. Income tax

The main items of tax charge for the year ended 31 December 2013 and 31 December 2012 are as follows:

	For the reporting period ended 31.12.2013	31.12.2012 (restated)
Current income tax		
Current charge due to income tax	14,557	5,819
Adjustments related to current income tax from previous years	-	-
Deferred income tax		
Relating to the origination and reversal of temporary differences	(1,383)	1,091
Tax expense reported in the profit and loss account	**13,174**	**6,910**

10.1. Reconciliation of the effective tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the 12 months ended 31 December 2013 and 31 December 2012:

	For the reporting period ended 31.12.2013	31.12.2012 (restated)
Profit / loss before tax	**69,712**	**38,758**
Tax at the statutory rate applicable in Poland, i.e. 19% (2012: 19%)	13,245	7,364
Adjustments related to deferred income tax from previous years	-	-
Unrecognised tax losses	-	-
Non-tax deductible costs	700	122
Written-off tax losses	-	-
Costs not constituting tax base	-771	(576)
Temporary differences from previous years	-	-
Other	-	-
Tax at the effective rate of 18.90% (2012: 17.83%)	13,174	6,910
Income tax (charge) recognised in the consolidated profit and loss account	13,174	6,910
Income tax attributable to discontinued operations	-	-
	13,174	6,910

10.2. Deferred income tax

Deferred income tax results from the following positions:

Deferred income tax Balance sheet item	Title of a temporary difference	Balance sheet As at 31.12.2013	31.12.2012 (restated)	Profit and loss account For the reporting period ended 31.12.2013	31.12.2012 (restated)
Deferred tax provision					
Property, plant and equipment	Revaluation of fixed assets	14,944	14,282	662	771
Property, plant and equipment	Land in perpetual usufruct	2,137	2,147	(9)	6
Property, plant and equipment	Investment relief	228	275	(47)	(47)
Property, plant and equipment	Write-downs on tangible fixed assets	(70)	(8)	(62)	64
Trade Receivables/ Liabilities and other	Foreign exchange differences	2	149	(147)	883
Accruals	Accruals	(1,742)	(1,353)	(389)	(357)
Trade and other receivables	Revaluation of receivables	(515)	(271)	(244)	(64)
Receivables/ Liabilities due to financial derivative instruments	Short-term financial investments	106		106	
Trade receivables and other receivables, Financial Assets	Interest accrued	6	10	(4)	8
Inventories, trade receivables and other receivables	DDP and DAP Incoterms incomes	(840)	(250)	(591)	427
Inventories, trade receivables and other receivables	Provisions for transport costs	115		115	
Inventory	Revaluation of inventory value	(1,035)	(626)	(409)	181
Provision for benefits after the	Provisions for	(59)	(48)	(59)	(48)

employment period	retirement benefits				
Provisions and accrued liabilities	Provision for bonuses	(1,449)	(1,338)	(111)	(708)
Trade and other liabilities	Salaries and overheads for remuneration	(585)	(437)	(148)	(25)
Trade and other liabilities	Defaults and past dues of more than 30 days	(46)		(46)	
Financial assets	Write-down revaluating shares in subsidiaries	(76)	(76)	-	-
Supplementary capital from share premium	Other	(4)	(4)	-	-
Deferred tax provision		**11,117**	**12,452**	**(1,383)**	**1,091**
Revaluation of instruments in the statement of comprehensive income		**1,770**	**1,701**	**-**	**-**
Provision for pensions and disability benefits – capital part recognised in the statement of comprehensive income		**(437)**	**(351)**		
Total deferred tax provision		**12,450**	**13,802**	**(1,383)**	**1,091**

Deferred tax in the amount of PLN 32 thousand concerning employee benefits and hedge accounting is recognised directly in capitals.

11. Tax settlements

Current tax expense is calculated on the basis of applicable tax regulations. Tax expense is calculated based on tax rates applicable during the fiscal year in question. The Company does not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. Both the tax and balance sheet years coincide with calendar years.

12. Social assets and liabilities

The Act on Company Social Fund of 4 March 1994, as amended, requires the companies whose full-time employees' number exceeds 20 to establish and run a Social Fund. The Company operates such a Fund and makes periodical charges to it based on a minimum required amount. The Fund's purpose is to subsidise the Company's social activity, loans to employees and other social expenditure.

The Company has netted the assets of the Fund with the liabilities to the Fund, as these are not separate assets of the Company. Therefore, the net receivables from the Fund as at 31 December 2013 are PLN 27 thousand (as at 31 December 2012 — net receivables amounted to PLN 92 thousand).

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the table below:

	31.12.2013	**31.12.2012**
Assets contributed to the Fund	-	-
Loans granted to employees	1,665	1,691
Cash	704	765
Liabilities due to the Fund	(2,342)	(2,364)
Balance after offsetting	**27**	**92**
Contributions to the Fund during the financial period	**2,359**	**2,213**

13. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (adjusted by the influence of dilutive options and all dilutive convertible redeemable preference shares).

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

	For the reporting period ended	
	31.12.2013	**31.12.2012 (restated)**
Profit (loss) on continued operations of the period	56,538	31,848
Loss from discontinued operations	-	-
Profit (loss) of the period	56,538	31,848

Profit (loss) of the period attributed to normal shareholders, applied to calculate diluted earnings per share	56,538	31,848

	As at	
	31.12.2013	31.12.2012
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23,751,084	23,751,084
Bonds convertible into shares	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share	23,751,084	23,751,084

Profit (loss) per share attributable to Company Shareholders at the end of the period (in PLN '000)	**31.12.2013**	**31.12.2012**
- basic	2.38	1.34
- diluted	2.38	1.34

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

14. Dividend paid and proposed

The Management Board will propose a dividend payment for 2013, allocating a portion of the profit generated in the period. As at the publication of this report, the Management Board of the Company has not presented the details of dividend payments.

By virtue of a resolution of the Annual General Meeting of 28 May 2013, the decision was made to distribute the Company net profit for the financial year 2012 in the amount of PLN 31,873 thousand, allocating PLN 22,564 thousand to the payment of dividend and PLN 9,309 thousand to supplementary capital. The amount of dividend per share amounted to PLN 0.95. The dividend record date was set for 18 June 2013. Dividend was paid on 2 July 2013.

15. Leases

15.1. Finance lease and hire purchase commitments

The Company as a lessee as at 31 December 2013 has financial leasing agreements on machinery, equipment and means of transport with the option to buy. The leased assets are secured by blank promissory notes.

The periods for which the lease agreements have been concluded are: 60 months for machinery and equipment, and 25 months for the means of transport and servers.

Residual value has been determined in the range from 0.05% to 0.17% of the initial value of leased machinery and equipment, approx. 14% for buildings and 1% for transport and servers.

As at 31 December 2013 and 31 December 2012, future minimum rentals payable under finance leases are as follows:

	Minimum payments	
	31.12.2013	31.12.2012
Within 1 year	819	1,205
In the period from 1 to 2 years	1,438	590
In the period from 2 to 5 years	760	1,420
Over 5 years	-	-
Minimum lease payments, in total	**3,017**	**3,215**
Minus financial costs	(146)	(173)
Current value of minimum lease payments	**2,871**	**3,042**
short-term	756	1,128
long-term	2,115	1,914

15.2. Operating lease and hire purchase commitments

In the reporting year ended 31 December 2013, the Group concluded operating lease agreements for the rental of means of transport. The term of the agreements is 36 months, the residual value was calculated at 30–35% of the initial value of the leased objects.

As at 31 December 2013, the future minimum lease payments under operating lease agreements are as follows:

	Minimum payments	
	31.12.2013	31.12.2012
Within 1 year	363	596
In the period from 1 to 5 years	168	378
Over 5 years	-	-

Future minimum lease payments, in total	531	974

15.3. Liabilities under operating lease

In the reporting year ended 31 December 2013, the Group concluded operating lease agreements for the rental of commercial premises in a building in Wrocław, ul. Brucknera 25-43.

Most of the agreements have been concluded for an indefinite period with a 3 month notice period. The shortest agreement for fixed term has been concluded for the period until January 2014.

As at 31 December 2013, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31.12.2013	31.12.2012
Within 1 year	803	1,040
In the period from 1 to 5 years	2,284	1,554
Over 5 years	302	-
	3,389	**2,594**

16. Employee benefits

16.1. Pensions and other post-employment benefit plans

The entity pays to retiring employees retirement benefits in the amount set out in the Labour Code. As a result – based on a valuation carried out by an actuarial company – the Company establishes a provision for the current value of this retirement benefit liability. The following table sets forth the amount of the provision and movements in the benefit liability over the period.

The principal assumptions used by the actuary in determining retirement and other benefit obligations as at the balance sheet date are shown below:

	As at 31.12.2013	31.12.2012
Discount rate (%)	4.0%	4.5%
Expected inflation rate (%)	2.5%	2.5%
Employee turnover ratio	10.7–13.5%	9.6–12.3%
Predicted growth rate of remunerations (in %)	3.5%	3.5%

Provision for pensions and disability benefits	**2013**	**Changes** (restated)
As at 1 January	2,100	1,877
Interest costs	94	107
Costs of current employment	226	207
Costs of past employment and limitations of benefit programme	-	-
Benefits paid	(10)	(60)
Actuarial profit/ (loss) from changes in economic assumptions	122	228
Actuarial profit/ (loss) of the differences between the assumptions and the implementation	79	(259)
Profit/loss on benefit programme settlements	-	-
As at 31 December	**2,611**	**2,100**
Of which:		
long-term	2,552	2,084
short-term	59	16

Short-term provision for pensions and disability benefits was recognised as current liabilities/ provisions and accruals.

The amounts recognised in the comprehensive income:

	2013	**2012** (restated)
Costs of benefits:		
Costs of current employment	(226)	(207)
Interest costs	(94)	(107)
Components of the programme costs recognised in the financial result:	**(320)**	**(314)**
Actuarial profit/ (loss) from changes in economic assumptions	(122)	(228)
Actuarial profit/ (loss) of the differences between the assumptions and the implementation	(79)	259
Current components of the programme costs recognised in equity	**(201)**	**31**
Total amount of the programme costs recognised in capital	**(170)**	**31**
Total annual costs:	**(521)**	**(283)**

Below we have presented – in accordance with IAS 19 – the sensitivity of liabilities to changes in the discount rate and the rate growth of remuneration. Increase and decrease of interest rates by 0.5% has been adopted:

Assumptions	% Change	Influence of pensions and similar benefits
Discount rate (%)	0.5%	(122)
	-0.5%	131
Predicted growth rate of remunerations (in %)	0.5%	143
	-0.5%	(134)

17. Property, plant and equipment

	As at 31.12.2013	31.12.2012
Land	12,772	12,820
Buildings and structures	76,657	74,114
Technical equipment and machines	79,020	87,318
Means of transport	6,028	5,948
Other tangible fixed assets	3,854	3,978
Fixed assets under construction	9,705	3,929
Total	**188,036**	**188,107**

	Land	Buildings and structures	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2013	**12,820**	**74,114**	**87,318**	**5,948**	**3,978**	**3,929**	**188,107**
Increase	-	5,459	5,155	1,256	250	14,727	26,847
Including finance lease	-	-	-	*1,079*	-	-	*1,079*
Other decreases	(48)	(519)	(4,501)	(667)	(84)	(8,951)	(14,770)
Elimination of redemption as a result of the sale of asset items	-	449	2,854	615	77	-	3,995
Revaluation write-down of an impairment loss of the value to the profit and loss account	-	-	(365)	-	-	-	(365)
Reversal of an impairment loss of the value to the profit and loss account	-	-	38	-	-	-	38
The amortisation expense for the period	-	(2,846)	(11,479)	(1,124)	(367)	-	(15,816)
Net value as at 31 December 2013	**12,772**	**76,657**	**79,020**	**6,028**	**3,854**	**9,705**	**188,036**
As at 1 January 2013							
Gross amount	12,820	93,814	173,928	12,829	5,906	3,929	303,226
Accumulated depreciation and impairment charge	-	(19,700)	(86,610)	(6,881)	(1,928)	-	(115,119)
Net value	12,820	74,114	87,318	5,948	3,978	3,929	188,107
As at 31 December 2013							
Gross amount	12,772	98,754	174,582	13,418	6,072	9,705	315,303
Accumulated depreciation and impairment charge	-	(22,097)	(95,562)	(7,390)	(2,218)	-	(127,267)
Net value	**12,772**	**76,657**	**79,020**	**6,028**	**3,854**	**9,705**	**188,036**

	Land	Buildings and structures	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 1 January 2012	**12,820**	**69,697**	**78,402**	**5,665**	**3,882**	**17,848**	**188,314**
Increase	-	**7,761**	**20,944**	**1,473**	**521**	**13,044**	**43,743**
Including finance lease	-	-	***1,201***	***1,361***	***243***	-	***2,805***
Reclassified to assets held for sale	-	-	-	-	-	-	-
Other decreases	-	**(1,574)**	**(3,724)**	**(1,134)**	**(331)**	**(26,963)**	**(33,726)**
Including sale-and-lease-back	-	-	***(1,213)***	-	-	-	***(1,213)***
Elimination of redemption as a result of the sale of asset items	-	**639**	**2,275**	**1,050**	**298**	-	**4,262**
Elimination of redemption at reclassification to assets held for sale	-	-	-	-	-	-	-
Revaluation write-down of an impairment loss of the value to the	-	-	-	-	-	-	-

profit and loss account							
Reversal of an impairment loss of the value to the profit and loss account	-	**337**	-	-	-	-	**337**
Amortisation expense for the period	**-**	**(2,746)**	**(10,579)**	**(1,106)**	**(392)**	**-**	**(14,823)**
Net value as at 31 December 2012	**12,820**	**74,114**	**87,318**	**5,948**	**3,978**	**3,929**	**188,107**
As at 1 January 2012							
Gross amount	12,820	87,627	156,708	12,490	5,716	17,848	293,209
Accumulated depreciation and impairment charge	-	(17,930)	(78,306)	(6,825)	(1,834)	-	(104,895)
Net value	**12,820**	**69,697**	**78,402**	**5,665**	**3,882**	**17,848**	**188,314**
As at 31 December 2012							
Gross amount	12,820	93,814	173,928	12,829	5,906	3,929	303,226
Accumulated depreciation and impairment charge	-	(19,700)	(86,610)	(6,881)	(1,928)	-	(115,119)
Net value	**12,820**	**74,114**	**87,318**	**5,948**	**3,978**	**3,929**	**188,107**

As at 31 December 2013, total fixed assets at the Company's disposal amounted to PLN 188,036 thousand (as at 31 December 2012: PLN 188,107 thousand). As at 31 December 2013, the Company had no fixed assets classified as intended for sale (as at 31 December 2012: none).

Impairment write-downs

Write-downs on tangible fixed assets	**2013**
Write-down as at 1 January	41
Creation	365
Used	-
Release	(38)
Write-down as at 31 December	**368**

Assets pledged as security

The balance sheet value of tangible fixed assets used as at 31 December 2013 by the Company on the basis of financial lease agreements and lease agreements with the option to buy is PLN 4,124 thousand, of which PLN 1,752 thousand relates to the lease of machinery and equipment, PLN 2,178 thousand to the lease of means of transport and PLN 194 thousand to the lease of other tangible fixed assets (as at 31 December 2012: PLN 4,739 thousand).

Land and buildings with the balance sheet value of PLN 72,910 thousand (as at 31 December 2012: PLN 69,738 thousand) are covered by mortgages established to secure bank loans of the Company (note 29 – interest-bearing loans and borrowings).

Additionally, machinery and equipment with the balance sheet value of PLN 52,916 thousand are subject to a registered pledge (as at 31 December 2012: PLN 36,619 thousand).

There were no capitalised external financing costs in the reporting period ended 31 December 2013 (as at 31 December 2012: PLN 139 thousand).

Capital commitments

As at 31 December 2013, the Company's capital commitments are PLN 1,667 thousand (as at 31 December 2012:

PLN 408 thousand). The amount results mainly from the outlays for building renovation, purchase of machinery and equipment and IT equipment.

Purchase and sale

In the 12-month period ended 31 December 2013, the Company purchased fixed assets with a value of PLN 16,816 thousand (in the comparative period ended 31 December 2012: PLN 14,042 thousand) and sold tangible fixed assets with a net value of: PLN 1,541 thousand (in the comparative period ended 31 December 2012: PLN 1,276 thousand).

The most significant capital expenditures include expenses for infrastructure modernisation of buildings in all the factories of the Company and investments for the purchase of modern WEEKE drills.

18. Investment properties

The Company owns a real property investment, which it acquired on 31 August 2011 as a result of the merger with a subsidiary (Meble Polonia Sp. z o.o.). It is a shopping centre in Wrocław with an area of ca. 7 thousand sq. m. The property has been classified as an investment property, because its vast part is leased to unrelated entities.

When assessing the value of a real property investment, the Company applies the principles set out in IAS 40, i.e. valuation at fair value. The valuation is carried out at the end of each financial year, unless real property market changes do not indicate possible differences in the fair value.

As at 31 December 2013 the fair value of the property did not increase (in 2012 the fair value increased by PLN 528 thousand).

	Fair value change 2013	2012
Opening balance as at the beginning of the reporting period	29,751	29,223
Increase (later expenses)	-	528
- revaluation to the fair value	-	528
Closing balance as at the end of the reporting period	**29,751**	**29,751**

	31.12.2013	31.12.2012
Interest income from the rent of investment real property	1,844	1,542
Costs resulting from repair and maintenance, including:	92	28
costs that brought rental income during the period	*85*	*27*
costs that did not bring rental income during the period	*7*	*1*

The Company has no contractual commitments for the purchase, construction or development of investment real estate, as well as repairs, maintenance and improvements.

Fair value hierarchy

Fair value of the investment real property as at 31 December 2013 was determined based on an appraisal report prepared by an independent surveyor.

Valuation of developed property was made with the investment income approach using the techniques of simple capitalisation.

An analysis of unobservable data was made, which covers items such as the rent amount for the rental of commercial space in the given area (this allowed to establish a potential rate of monthly rent in the amount of PLN 49/ sq. m) and capitalisation rate. Since no similar properties have been found on the market for which the known net operating income would allow for the calculation of yields, it has been determined based on the capital market (the adopted capitalisation rate was 10.13%).

To determine the fair value of land, comparative approach, using average price adjustment, has been used. The fair value increases with increasing rent. The fair value increases with a decrease in the capitalisation ratio.

There has been no change in the valuation technique as compared to the comparative period. As at 31 December 2013, the hierarchy of fair value was as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
Property in Wrocław	-	-	29,751	**29,751**

19. Intangible assets

	As at 31.12.2013	31.12.2012
Patents and licenses	434	213
Other intangible assets	15,272	15,434
Completed development works	914	427
Investments in progress	-	18
Total	**16,620**	**16,092**

	Patents and licenses	Other	Completed development works	Investments in progress	Total
Net value as at 1 January 2013	**213**	**15,434**	**427**	**18**	**16,092**
Increase	306	-	733	132	1,171
Decrease	-	-	-	(150)	(150)
Amortisation expense for the period	(85)	(162)	(246)	-	(493)
Net value as at 31 December 2013	**434**	**15,272**	**914**	-	**16,620**
As at 1 January 2013					
Gross amount	5,109	16,553	524	18	22,204
Accumulated depreciation and impairment charge	(4,896)	(1,119)	(97)	-	(6,112)
Net value	**213**	**15,434**	**427**	**18**	**16,092**
As at 31 December 2013					
Gross amount	5,415	16,553	1,257	-	23,225
Accumulated depreciation and impairment charge	(4,981)	(1,281)	(343)	-	(6,605)
Net value	**434**	**15,272**	**914**		**16,620**

	Patents and licenses	Other	Completed development works	Investments in progress	Total
Net value as at 1 January 2012	**211**	**448**	**43**	**-**	**702**
Increase	58	15,272	478	39	15,847
Decrease	(48)	(55)	-	(21)	(124)
Amortisation expense for the period	(86)	(256)	(94)	-	(436)
Reclassification of intangible assets	75	(75)	-	-	-
Elimination of redemption as a result of the sale	48	55	-	-	103
Elimination of redemption as a result of the reclassification	(45)	45	-	-	-
Net value as at 31 December 2012	**213**	**15,434**	**427**	**18**	**16,092**
As at 1 January 2012					
Gross amount	5,024	1,411	46	-	6,481
Accumulated depreciation and impairment charge	(4,813)	(963)	(3)	-	(5,779)
Net value	**211**	**448**	**43**	-	**702**
As at 31 December 2012					
Gross amount	5,109	16,553	524	18	22,204
Accumulated depreciation and impairment charge	(4,896)	(1,119)	(97)	-	(6,112)
Net value	**213**	**15,434**	**427**	**18**	**16,092**

The increase in other intangible assets in 2012 was influenced by the purchase of the "FORTE" trademark from "FORMACON" Sp. z o.o. at a net price of PLN 15,272 thousand. As at the agreement date, the shareholder of "FORMACON" Sp. z o.o. was Maciej Formanowicz – President of the Management Board of Fabryki Mebli "FORTE" S.A. The value of the mark was appraised by an independent valuer.

Expenditure on research and development

In the reporting period ended 31 December 2013, the expenses of the Company on research and development were PLN 990 thousand (in 2012: PLN 1,116 thousand). The expenses were recognised in the costs of sale in the profit and loss account.

Description of securities established on intangible assets:

No securities are established on the intangible assets of the Company.

Intangible assets held for sale

As at the balance sheet day, there are no intangible assets held for sale in the Company.

Intangible assets with indefinite useful life

The only intangible asset with indefinite useful life is a trademark.

The Company was unable to determine the period of use of the trademark, because there is no foreseeable limit of the period during which it expects to reap economic benefits from the sale under the FORTE trademark.

The Company plans to continue its efforts to increase revenues from the sale of FORTE branded goods, and hence, to continue increasing its visibility in the market.

Impairment

Due to the indefinite useful life of the mark, the Management Board of the Company conducted a test for impairment.

Method of valuation

The value in use of the mark was appraised by the relief from royalty method. The method determines the value on the basis of discounted future royalty flows taking into account license agreements concluded on market terms for comparative brands.

Assumptions for valuation

Royalty rate – depending on the market: Western Europe – 1%, Central and Eastern Europe and Poland – 2.5% Cost of equity – 12.49% for 2013. The discount rate – 13.2%–14.0% over the projection, rate of income tax – 19%

Period of financial projections – from 1 January 2014 to 31 December 2018, plus the estimate of residual value.

For the forecast of Forte brand sales revenues for 2014, i.e. the period covered with the most up-to-date budget, 12% growth of revenues is assumed.

The result of trademark value appraisal, according to the adopted assumptions, has not proved any decrease of its value, taking into account the sensitivity to three crucial exit assumptions: royalty rate, the discount rate, and the growth rate after 31 December 2018.

20. Non-current assets held for sale

As at 31 December 2013, the Company did not have non-current assets classified as held for sale.

21. Long-term financial assets

	As at 31.12.2013	31.12.2012
Long-term financial assets		
Shares and interest in subsidiaries	8,095	8,095
Other shares and interest	3	3
Other	-	-
	8,098	**8,098**
Other long-term financial assets		
Borrowings to related entities (Note 34.1)	2,637	2,273
Long-term receivables	80	92
Other	61	61
	2,778	**2,426**
Long-term financial assets, total	**10,876**	**10,524**

Shares and interest in subsidiaries valuated at historical cost less possible write-downs for impairment.

Shares and interest in subsidiaries as at 31 December 2013 and 31 December 2012:

Company name	Type of relationship	Date of control takeover/significant impact assumption	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
MV Forte GmbH	Subsidiary	14.08.1992	1,838	-	1,838
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte Möbel AG	Subsidiary	02.03.1999	352	-	352
Forte SK S. r. o.	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63
Forte Mobilier S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
Kwadrat Sp. z o.o.	Subsidiary	18.12.2008	5,514	-	5,514
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	-	12
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TOTAL			**8,494**	**(399)**	**8,095**

Company's shares in other entities were as follows:

Shares and interest in other entities as at 31 December 2013 and 31 December 2012:

Company name	**Registered office**	**Object of the enterprise**	**Carrying value of shares**
Meblopol	Poznań	Trade	3
Total			**3**

21.1. Tests for impairment of shares in subsidiaries

Financial data obtained from subsidiaries whose shares were not covered by impairment write-downs, do not indicate an impairment of the share value, and therefore tests for impairment of shares in subsidiaries were not conducted.

22. Inventory

	As at 31.12.2013	31.12.2012
Materials (at acquisition price)	38,043	36,829
Production in progress (at manufacturing price)	19,908	16,113
Finished products:		
According to acquisition price/manufacturing price	53,177	43,054
According to net realisable value	52,527	42,000
Goods	2,609	4,177
Inventories total, at the lower of the two: acquisition price (cost of construction) and realisable value.	**113,087**	**99,119**

Changes in inventories write-downs were as follows:

	Changes 2013	**2012**
Write-down as at 1 January	3,294	4,246
Increase	3,262	880
Decrease	(1,106)	(1,832)
Write-down as at 31 December	**5,450**	**3,294**

The calculation of inventory write-downs recognised in the books of the Company was made on the basis of reviews, analyses of inventories in all material groups, as well as experience in the management of slow-moving materials.

Assortment items remaining in the Company's warehouse have been subjected to comprehensive analyses. Replacements have been selected, design works have been carried towards technological changes, and attempts have been made to complete furniture from the existing semi-finished products. In the case of indices for which obtaining the full value may be questionable, in the opinion of the Company, the percentage of value was determined that could be recoverable.

In addition, there was a detailed analysis of the degree of wear and damage to the pallets as returnable packaging.

In this way, it was estimated that at the balance sheet moment the value of the impairment write-down of inventories should be PLN 5,450 thousand (in 2012: PLN 3,294 thousand).

Impairment of inventories is recognised in the profit and loss account under cost of sales and other operating costs.

Bank loan securities were established on inventories of finished goods, work in progress, goods and materials, with a value of PLN 22,898 thousand (in 2012: PLN 17,284 thousand).

23. Trade and other short-term receivables

	As at	
	31.12.2013	**31.12.2012**
Income tax receivables	-	-
Trade receivables from related parties	6,938	13,969
Trade receivables from other entities	74,600	64,240
Other budget receivables	17,810	11,657
Other receivables from related parties	-	-
Other receivables from third parties	138	149
Total (net) receivables	**99,486**	**90,015**
Write-down on receivables	2,906	1,635
Gross receivables	**102,392**	**91,650**

Trade receivables with repayment period outstanding after balance sheet day (gross):

	As at	
	31.12.2013	**31.12.2012**
a) up to 1 month	46,596	42,681
b) over 1 month and up to 3 months	16,194	8,394
c) over 3 months and up to 6 months	58	145
d) over 6 months and up to 1 year	-	-
e) over 1 year	-	-
f) overdue receivables	21,596	28,624
Total trade receivables (gross)	**84,444**	**79,844**
Write-down on receivables	(2,906)	(1,635)
Total trade receivables (net)	**81,538**	**78,209**

Total overdue trade receivables (gross) divided into receivables overdue by:

	As at	
	31.12.2013	**31.12.2012**
a) up to 1 month	16,707	20,198
b) over 1 month and up to 3 months	1,415	3,714
c) over 3 months and up to 6 months	284	1,057
d) over 6 months and up to 1 year	378	2,107
e) over 1 year	2,812	1,548
Total overdue trade receivables (gross)	**21,596**	**28,624**
Write-down on receivables	(2,906)	(1,635)
Total overdue trade receivables (net)	**18,690**	**26,989**

For the terms and conditions of related party transactions, refer to point 34.1. of additional notes and explanations. Trade receivables are non-interest bearing and are payable on 1 to 3-month terms.

The Company has a policy to sell only to verified customers. A significant part of the Company's receivables is insured, or secured by bank guarantees due to the central settlement.

Thanks to that, as the management believes, there is no additional credit risk that would not be covered by the doubtful debts allowance related to trade receivables of the Company.

As at 31 December 2013, the Company's trade receivables in the amount of PLN 2,906 thousand (as at 31 December 2012: PLN 788 thousand) were considered doubtful and therefore impaired.

As at 31 December 2013 the Company recognised an impairment loss of receivables from a subsidiary of Forte Mobila SRL from Romania in the amount of PLN 1,331 thousand. The impairment was made due to significantly overdue receivables and the lack of estimates of repayment possibilities in the nearest future.

Impairment of receivables is recognised in the profit and loss account under other operating expenses.

Changes in receivable write-downs were as follows:

	Changes 2013	2012
Write-down as at 1 January	1,635	1,237
Creation	1,595	788
Used	(30)	(166)
Release	(294)	(224)
Write-down as at 31 December	**2,906**	**1,635**

The table below lists trade receivables which were overdue as at 31 December 2013 and 31 December 2012 but which were not deemed unrecoverable:

	Total	Not overdue	Overdue, but recoverable				
			< 30 days	30–90 days	90–180 days	180–365 days	> 365 days
31 December 2013	81,538	62,848	16,707	1,415	283	274	11
31 December 2012	78,209	51,220	20,198	3,712	1,044	1,852	183

24. Prepayments

	As at	
Prepayments	**31.12.2013**	**31.12.2012**
Property and motor insurance	719	988
Fairs	318	576
Research and development	570	534
Business trips	87	144
Other	94	89
	1,788	**2,341**

25. Short-term financial assets

	As at	
Short-term financial assets	**31.12.2013**	**31.12.2012**
Fair value of derivative instruments (zero-cost option strategies)	9,318	8,950
Result on option settled in January 2014	506	-
	9,824	**8,950**

Detailed description of derivatives can be found in Note 36.2 of additional notes and explanations.

26. Other short-term financial assets

	As at	
Other short-term financial assets	**31.12.2013**	**31.12.2012**
Borrowings to related entities	960	943
Interest receivable from loans granted to subsidiaries	20	14
	980	**957**

For details of loans granted to subsidiaries, refer to point 34.1. of additional notes and explanations.

27. Cash and cash equivalents

	As at	
	31.12.2013	**31.12.2012**
Cash at bank and in hand	11,567	13,801
Other cash (overnight deposits and deposits under three months, securities with maturity of less than three months)	57,710	12,773
	69,277	**26,574**

Cash and cash equivalents at bank earn interest at floating rates. Short-term deposits are made for periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at negotiated deposit rates.

The fair value of cash and cash equivalents as at 31 December 2013 is PLN 69,277 thousand (as at 31 December 2012: PLN 26,574 thousand).

As at 31 December 2013, the Company did not hold cash of limited disposability (as at 31 December 2012: did not occur).

28. Share capital and supplementary / reserve capital

28.1. Share capital

Share capital (shares in units)	As at 31.12.2013	31.12.2012
Series A ordinary shares with a nominal value of PLN 1 each	8,793,992	8,793,992
Series B ordinary shares with a nominal value of PLN 1 each	2,456,380	2,456,380
Series C ordinary shares with a nominal value of PLN 1 each	6,058,000	6,058,000
Series D ordinary shares with a nominal value of PLN 1 each	2,047,619	2,047,619
Series E ordinary shares with a nominal value of PLN 1 each	4,327,093	4,327,093
Series F ordinary shares with a nominal value of PLN 1 each	68,000	68,000
	23,751,084	**23,751,084**

In the financial year ended 31 December 2013 and 31 December 2012 there were no changes in the share capital of the entity.

Nominal value of shares

All issued shares have a nominal value of PLN 1 and have been fully paid up or covered by a contribution in kind.

Shareholders' rights

Shares of all series are equal with respect to the distribution of votes, dividends or repayment of capital.

Major Shareholders

Shareholders with at least 5% of the total number of shares of the Company as at 21 March 2014:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm Holding AG	7,013,889	29.53%	29.53%
2.	Amplico Otwarty Fundusz Emerytalny	4,000,000	16.84%	16.84%
3.	ING Otwarty Fundusz Emerytalny	1,500,000	6.32%	6.32%
5.	Aviva Otwarty Fundusz Emerytalny	1,324,480	5.58%	5.58%
6	Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%	5.08%

28.2. Share premium

In the year ended 31 December 2013 there were no events which would lead to a change in the share premium above their nominal value (31 December 2012: did not occur).

28.3. Other capital

Revaluation reserve from financial instruments

	As at 31.12.2013	31.12.2012
Opening balance of accumulated result on financial instruments hedging cash flows	7,249	(10,605)
Amount recognised in equity in the reporting period due to hedging transactions	3,777	22,042
Amount recognised in profit and loss account due to:		
- ineffectiveness of the transactions concluded	(551)	-
- conclusion of transactions subject to hedging	(2,857)	-
- discontinuance of hedge accounting	-	-
Deferred income tax	(70)	(4,188)
Closing balance of accumulated result on financial instruments hedging cash flows	**7,548**	**7,249**

Other reserve capital

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2013	1,250	136,244	137,494
Distribution of profit for investment and financing the Company's current activities	-	9,309	9,309
As at 31 December 2013	**1,250**	**145,553**	**146,803**

	Statutory supplementary	Other reserve capital	Total

	capital		
As at 1 January 2012	1,250	132,300	133,550
Distribution of profit for investment and financing the Company's current activities	-	3,945	3,945
As at 31 December 2012	**1,250**	**136,244**	**137,494**

According to the requirements of the Code of Commercial Companies, supplementary capital should be established in order to cover losses. At least 8% of profit for the fiscal year reported in the Company's financial statements is allocated to the supplementary capital until the capital reaches at least one third of the share capital.

The General Meeting of Shareholders takes decisions about the use of supplementary and reserve capital; however a part of the supplementary capital in the amount of one third of the share capital may be only used to cover the loss reported in the financial statements, and it is not subject to distribution to other purposes.

According to the Articles of Association of the Company, on the basis of resolutions of the General Meeting of Shareholders reserve capital can be used in particular to increase the share capital and for the payment of dividends to shareholders.

28.4. Undistributed profit and dividend restrictions

Retained earnings	**31.12.2013**	**31.12.2012** (restated)
Net profit	56,538	31,848
Undistributed profit	23,505	23,693
	80,043	**55,541**

Undistributed profit comes from the valuation of fixed assets at fair value determined at the transition to IFRSs less deferred tax.

There were no restrictions regarding the payment of dividends as at 31 December 2013 (31 December 2012: did not occur).

28.5. Financial reporting in hyperinflationary economies

Under IAS 29 "Financial Reporting in Hyperinflationary Economies", it is required that economic entities which conducted business activity in hyperinflationary economy should restate equity items (except for retained profit and any surpluses related to assets revaluation) by applying the general price index, commencing from dates when these equities were contributed or were otherwise created. It is assumed that hyperinflation occurred in Poland in 1989–1996. In view of the Management Board, recognising the above-mentioned adjustment as uncovered losses from previous years is doubtful when it is not clear what the effects of the adjustment are on the basis of the CCC. Therefore, according to the Management Board, recognition of the hyperinflation adjustment directly in the Company's equity shown in the balance sheet could be misleading for the readers of the report, hence, taking into account the provisions of IAS 1. 17, appropriate amounts and method of conversion are included only in the following table (in PLN). Given the information outlined below, financial statements present fairly the financial position and cash flows of the Company, and are in compliance with IFRS.

Share capital in the books at the end of 1996	17,308
Share capital after hyperinflation indices	25,758
Result of hyperinflation adjustment on share capital	(8,450)
Reserve capital in the books at the end of 1996	50,273
Reserve capital after hyperinflation indices	60,277
Result of hyperinflation adjustment on reserve capital	(10,004)
Total result of hyperinflation adjustment on retained profit	**(18,454)**

29. Interest-bearing loans and borrowings

Short-term	**Nominal interest rate %**	**Due date**	**31.12.2013**	**31.12.2012**
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – short-term portion	depending on the currency used 1M WIBOR or 1M LIBOR	by 31 October 2015	-	20,193
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – short-term portion	1 M WIBOR	by 30 June 2014	300	600
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – short-term portion	1 M EURIBOR	by 31 March 2015	3,681	3,628
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – short-term portion	3 M EURIBOR	by 19 June 2015	5,278	5,203
Total short-term			**9,259**	**29,624**

Long-term	**Nominal interest rate %**	**Due date**	**31.12.2013**	**31.12.2012**
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – long-term portion	1M EURIBOR	by 31 March 2015	1,840	5,442
PKO BP S.A. – working capital credit in the	depending on the	by 19 December	24,883	16,353

amount of PLN 45,000 thousand – long-term portion	currency used 1M WIBOR or 1M EURIBOR	2016		
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M LIBOR	by 31 October 2015	28,816	-
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – long-term portion	1 M WIBOR	by 30 June 2014	-	300
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – long-term portion	3 M EURIBOR	by 19 June 2015	2,639	7,805
Total long-term			**58,178**	**29,900**

Bank loan securities as at	31 December 2013
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand	1. Ordinary mortgage in the amount of PLN 3,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 2. Capped mortgage in the amount of PLN 1,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand	1. Transfer of ownership of machinery and equipment with a value of PLN 14,252 thousand, together with the assignment of rights under the insurance contract 2. Registered pledge on equipment with the value of PLN 4,934 thousand, together with the assignment of rights under the insurance contract
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on equipment up to a maximum amount of security of PLN 25,700 thousand, together with the assignment of rights under the insurance contract 2. Statement of the borrower on submission to enforcement proceedings under Article 96 and 97 of the Banking law
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand	1. Registered pledge on inventory in the factory in Hajnówka with the value of PLN 23,043 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage in the amount of PLN 45,000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 3. Registered pledge on production lines with the value of PLN 14,812 thousand, together with the assignment of rights under the insurance contract.
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand.	1. Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 42,000 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage up to a maximum amount of PLN 42,000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on the purchased movable assets with a value of no less than PLN 21,010 thousand. 2. An assignment of rights from the insurance policy 3. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. – working capital facility in the amount of EUR 1,000 thousand.	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	As at 31.12.2013	31.12.2012
PLN	300	900
EUR	66,521	56,007
USD	616	2,617
	67,437	**59,524**

With the nominal interest rate, the margin of the bank should be additionally taken into account, with the following ranges:

0.80%–3.30% for loans taken in EUR

0.80%–1.00% for loans taken in PLN

1.00%–1.90% for loans taken in USD

On 16 September 2013 the Management Board of the Company signed a supplementary agreement with ING Bank Śląski S.A. to the loan agreement dated 24 June 2003, subsequently amended by supplementary agreement of 28 May 2010. The subject of the supplementary agreement is to extend the credit period until 31 October 2015. On the basis of the previous loan agreement, the Bank granted a loan to the Issuer in the amount of PLN 35,000 thousand.

On 20 December 2013, the Company signed an annex to the overdraft facility agreement of 14 February 2000 with PKO BP S.A. By virtue of the annex, the final period of the loan was extended until 19 December 2016. The maximum loan amount is PLN 45,000 thousand or the equivalent amount in EUR.

In addition, on the same day, i.e. 20 December 2013, it concluded a loan agreement with mBank S.A. for a multi-currency overdraft up to a total amount not exceeding EUR 1,000 thousand. The use of the loan will be followed by the execution of payment orders debiting current accounts of the Issuer held in PLN, EUR or USD. Period of the loan is one year and ends on 16 December 2014.

On 23 December 2013, the Company signed an agreement with PKO BP S.A regarding an investment loan in the amount of EUR 3,500 thousand for the financing and refinancing of the purchase of production machinery and equipment. The deadline of the loan expires on 31 May 2014. The loan was granted until December 2018. Its repayment will take place from 30 June 2014 in equal quarterly instalments.

As at the balance sheet date for the period ended 31 December 2013, the utilisation of the working capital loan available from mBank S.A. and the investment loan from PKO BP S.A. has been null (zero PLN), and the collaterals for those loans are described in the table above.

30. Reserves and prepayments

Provision for employee benefits after the employment period has been described in note 16.1. in additional explanatory notes.

	As at	
Long-term accruals	**31.12.2013**	**31.12.2012**
Long-term accrued income due to:		
Subsidy to tangible fixed assets bought	86	110

Short-term accruals, including:	**31.12.2013**	**31.12.2012** (restated)
Accruals due to:		
Commissions	1,294	1,744
Bonuses for customers	8,448	7,041
Leaves	2,306	1,212
Bonuses	1,500	1,670
Balance sheet audit costs	56	30
External services	2,995	1,707
Other costs	45	-
Short-term provisions:		
Short-term provision for benefits after the employment period	59	16
Guarantee repairs	973	759
Accrued income due to:		
Subsidy to tangible fixed assets bought	24	24
	17,700	**14,203**

The amount of PLN 8,448 thousand is a provision created by the Company for future bonuses payable due to sales realised in 2013 to customers, in particular from the German, Swiss and Austrian markets. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 2,995 thousand is a provision created by the Company for external services costs, in particular: marketing, insurance of receivables, and utilisation services.

As at the balance sheet date ended 31 December 2013, the Company created a provision for the bonus for the Management Board in the amount of PLN 1,500 thousand.

The Group creates a provision for the costs of anticipated guarantee repairs and return of products sold within the last year, based on the level of guarantee repairs and returns recorded in previous years. It is anticipated that a significant majority of those costs will be incurred in the next financial year. The assumptions applied to the calculation of the provision for guarantee repairs and returns were based on current levels of sales and currently available information about returns with one-year guarantee and statutory warranty for all products sold.

31. Trade and other liabilities (short-term)

		As at
	31.12.2013	**31.12.2012**
Trade accounts payable	**39,197**	**32,565**
Towards related entities	3,097	5,841
To other entities	36,100	26,724

Liabilities due to tax, customs, social insurance	**4,836**	**3,541**
Personal income tax	1,154	769
Social insurance	3,420	2,571
Other	262	201
Other liabilities	**12,495**	**8,322**
Payroll liabilities to employees	8,953	6,415
Capital commitments	1,667	408
Received prepayments for deliveries	726	327
Other liabilities	1,149	1,172
	56,528	**44,428**
Liabilities relating to corporate income tax	10,963	431
Total liabilities	**67,491**	**44,859**

Terms and conditions of the above financial liabilities:

For the terms and conditions of related party transactions, refer to note 34.1. in additional explanatory notes. Trade accounts payable do not bear interest and are usually settled within 7 to 45 days. Other liabilities do not bear interest and are settled under 1-month payment term.

The amount resulting from the difference between liabilities and receivables related to the VAT is refunded to the Company by competent tax authorities in one-month periods.

Interest liabilities are usually settled within the maturity periods during the entire financial year.

32. Contingent liabilities

On 27 March 2013, the Company issued four guarantees for loans taken out by FURNIREX Sp. z o.o. with its registered seat in Hajnówka to finance a technological investment to a total amount of PLN 18,299 thousand. FURNIREX Sp. z o.o. made an offer to the Parent Company, according to which it invested the funds received under the technological loans in modern investments located in a production area in Hajnówka leased from Forte S.A. FURNIREX Sp. z o.o. uses modern technologies to provide services of processing entrusted material for FORTE and other furniture manufacturers.

Guarantees were made to BRE Bank S.A. (currently mBank S.A.) and are valid to 30 June 2018.

As at 31 December 2013 the outstanding amount was PLN 6,310 thousand.

33. Court cases

There is no court litigation where the total value is equal to at least 10% of the Company's equity.

34. Related party disclosures

34.1. Transactions with subsidiaries

The following table presents total amounts of transactions concluded with subsidiaries:

Related entity		Sales to related undertakings	Purchases from related entities	Receivables from related entities	Liabilities to related entities
MV Forte GmbH	31.12.2013	1,013	12,836	902	2,423
	31.12.2012	776	10,099	711	3,638
Forte Möbel AG	31.12.2013	15,030	1,788	2,120	84
	31.12.2012	11,173	1,573	1,000	301
Forte Baldai UAB	31.12.2013	-	253	49	-
	31.12.2012	120	-	151	-
Forte SK S.r.o.	31.12.2013	168	1,947	-	138
	31.12.2012	204	2,169	109	167
Forte Furniture Ltd.	31.12.2013	-	475	-	40
	31.12.2012	-	589	-	48
Forte Iberia S.l.u.	31.12.2013	6	757	-	62
	31.12.2012	-	707	-	12
Forte Mobilier S.a.r.l.	31.12.2013	-	338	1	41
	31.12.2012	-	-	136	-

Forte Mobila S.r.l.	31.12.2013	345	465	138	-
	31.12.2012	1,050	235	1,916	30
TM Handel Sp. z o.o.	31.12.2013	26,499	4,415	3,729	309
	31.12.2012	32,860	3,985	9,946	1,645
TM Handel Sp. z o.o. S.K.A.	31.12.2013	1			
	31.12.2012	-	-	-	-
FORT INVESTMENT Sp. z o.o.	31.12.2013	1			
	31.12.2012	-	-	-	-
Kwadrat Sp. z o.o.	31.12.2013				
	31.12.2012	-	-	-	-
Galeria Kwadrat Sp. z o.o.	31.12.2013		403		
	31.12.2012	-	499	-	-
Total	**31.12.2013**	**43,063**	**23,677**	**6,939**	**3,097**
	31.12.2012	**46,183**	**19,856**	**13,969**	**5,841**

Transactions regard the sales of products, goods and services and the purchase of services.

Joint venture in which the Company is a venturer

The Company does not conduct joint ventures.

Terms and conditions of transactions with related parties

All transactions with related entities are conducted under the terms used by the Company in relations with unrelated entities.

Loans and borrowings to related entities

In the reporting period ended 31 December 2013, the Company extended loans to the following subsidiaries:

- on 4 March 2013, to the subsidiary Galeria Kwadrat with its registered office in Bydgoszcz, in the amount of PLN 1,254 thousand, The maturity date for the whole loan was set for 30 June 2020, interest payable on a quarterly basis.
- on 26 April 2013, to the subsidiary Forte Mobilier S.a.r.l. with its registered seat in Lyon in the amount of EUR 80 thousand. The maturity date for the whole loan was set for 30 June 2017, interest payable on a quarterly basis.
- on 11 December 2013, to the subsidiary Fort Baldai with its registered seat in Vilnius in the amount of EUR 25 thousand. The maturity date for the whole loan was set for 31 December 2018, interest payable on a quarterly basis.

The balance of loans granted as at 31 December 2013 is presented in the table below:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31 December 2013	Interest amount as at 31 December 2013
Subsidiaries:					
Kwadrat Sp. z o.o.	439	EUR	June 2018	1,517	6
Galeria Kwadrat Sp. z o.o.	1,254	PLN	June 2020	1,020	11
Forte SK S. r. o.	1,260	PLN	December 2015	383	2
Forte Mobila S.r.l.	330	EUR	September 2014	283	-
Forte Mobilier S.a.r.l.	80	EUR	June 2017	290	1
Forte Baldai UAB	25	EUR	December 2018	104	-
Total:				**3,597**	**20**
Including:					
Short-term portion:					
Kwadrat Sp. z o.o.				303	6
Galeria Kwadrat Sp. z o.o.				-	11
Forte SK S. r. o.				270	2
Forte Mobila S.r.l.				283	-
Forte Mobilier S.a.r.l.				83	1
Forte Baldai UAB				21	-
Total:				**960**	**20**
Long-term portion:					
Kwadrat Sp. z o.o.				1,214	-
Galeria Kwadrat Sp. z o.o.				1,020	-
Forte SK S. r. o.				113	-
Forte Mobila S.r.l.				-	-
Forte Mobilier S.a.r.l.				207	-
Forte Baldai UAB				83	-
Total:				**2,637**	**-**

These loans were granted on market terms (variable interest rate based on EURIBOR/WIBOR plus a margin).

The balance of loans granted as at 31 December 2012:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31 December 2012	Interest amount as at 31 December 2012
Subsidiaries:					
Kwadrat Sp. z o.o.	439	EUR	June 2018	1,793	7
Forte SK S. r. o.	1,260	PLN	December 2015	788	4
Forte Mobila S.r.l.	330	EUR	September 2014	635	3
Total:				**3,216**	**14**
Including:					
Short-term portion:					
Kwadrat Sp. z o.o.				298	7
Forte SK S. r. o.				248	4
Forte Mobila S.r.l.				397	3
Total:				**943**	**14**
Long-term portion:					
Kwadrat Sp. z o.o.				1,495	-
Forte SK S. r. o.				540	-
Forte Mobila S.r.l.				238	-

35. Financial instruments

35.1. Carrying value

Classification of financial instruments according to IAS 39 as at 31 December 2013									
	Financial assets held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	Total
Financial fixed assets:	-	-	**3**	**2,637**	-	-	-	-	**2,640**
Financial assets	-	-	3	2,637	-	-	-	-	2,640
Financial current assets:	-	-	-	**151,933**	-	-	**9,824**	-	**161,757**
Trade receivables and other	**-**	**-**	**-**	81,676	-	-	-	-	81,676
Receivables from derivative instruments	-	-	-	-	-	-	9,824	-	9,824
Cash and cash equivalents	-	-	-	69,277	-	-	-	-	69,277
Other financial assets	-	-	-	980	-	-	-	-	980
Long-term financial liabilities:	-	-	-	-	-	**(58,178)**	-	**(2,115)**	**(60,293)**
Interest-bearing loans and borrowings	-	-	-	-	-	(58,178)	-	-	(58,178)
Financial liabilities due to lease	-	-	-	-	-	-	-	(2,115)	(2,115)
Short-term liabilities	-	-	-	-	-	**(51,998)**	-	**(756)**	**(52,754)**
Trade liabilities and other	-	-	-	-	-	(42,739)	-	-	(42,739)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	-	-
Current portion of loans and borrowings	-	-	-	-	-	(9,259)	-	-	(9,259)
Financial liabilities due to lease	-	-	-	-	-	-	-	(756)	(756)
	-	-	**3**	**154,570**	-	**(110,176)**	**9,824**	**(2,871)**	**51,350**

Classification of financial instruments according to IAS 39 as at 31 December 2012									
	Financial assets held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Financial fixed assets:	-	-	**3**	**2,364**	-	-	-	-	**2,367**
Financial assets	-	-	3	2,364	-	-	-	-	2,367
Financial current assets:	-	-	-	**105,889**	-	-	**8,950**	-	**114,839**
Trade receivables and other	-	-	-	78,358	-	-	-	-	78,358
Receivables from derivative instruments	-	-	-	-	-	-	8,950	-	8,950
Cash and cash equivalents	-	-	-	26,574	-	-	-	-	26,574
Other financial assets	-	-	-	957	-	-	-	-	957
Long-term financial liabilities:	-	-	-	-	-	**(29,900)**	-	**(1,914)**	**(31,814)**
Interest-bearing loans and borrowings	-	-	-	-	-	(29,900)	-	-	(29,900)
Financial liabilities due to lease	-	-	-	-	-		-	(1,914)	(1,914)
Short-term liabilities	-	-	-	-	-	**(64,096)**	-	**(1,128)**	**(65,224)**
Trade liabilities and other	-	-	-	-	-	(34,472)	-	-	(34,472)
Liabilities related to derivative instruments	-	-	-	-	-		-	-	
Current portion of loans and borrowings	-	-	-	-	-	(29,624)	-	-	(29,624)
Financial liabilities due to lease	-	-	-	-	-	-	-	(1,128)	(1,128)
	-	-	**3**	**108,253**	-	**(93,996)**	**8,950**	**(3,042)**	**20,168**

35.2. Fair value

	As at 31 December 2013		As at 31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial fixed assets	2,640	2,640	2,367	2,367
Receivables from derivative instruments	9,824	9,824	8,950	8,950
Cash and cash equivalents	69,277	69,277	26,574	26,574
Other current financial assets	980	980	957	957
Interest-bearing loans and borrowings	(58,178)	(58,178)	(29,900)	(29,900)
Long-term financial liabilities due to lease	(2,115)	(2,115)	(1,914)	(1,914)
Liabilities related to derivative instruments	-	-	-	-
Current portion of loans and borrowings	(9,259)	(9,259)	(29,624)	(29,624)
Short-term financial liabilities due to lease	(756)	(756)	(1,128)	(1,128)

The Company does not compare carrying value and fair value for those classes of financial instruments that are of short-term receivable or payable nature.

Shares and interest included in the available-for-sale financial assets relate to non-listed entities, with regards to which there is no possibility to determine their fair value using alternative methods, and are valuated at purchase price adjusted for any impairment losses.

35.3. Fair value hierarchy

The following note presents only disclosures for financial instruments measured in the balance sheet at fair value.

	as at 31 December 2013		as at 31 December 2012	
	Level 2	Level 3	Level 2	Level 3
Financial fixed assets	-	3	-	3
Receivables from derivative instruments	9,824	-	8,950	-
Liabilities related to derivative instruments	**-**	**-**	**-**	**-**
	9,824	**3**	**8,950**	**3**

Methods of determining fair value of financial instruments

Level I

In the reporting period ended 31 December 2013 the Company had no financial instruments measured at fair value classified to level I (in 2012: none).

Level II

For level II, the Company classifies receivables or liabilities from derivative instruments. Changes in fair value of derivatives that meet hedge accounting criteria are included in the effective part in the Company's equity and the ineffective part in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account. Changes in the fair value of derivative instruments which do not meet the criteria for applying hedge accounting policies are recognised in the profit and loss account for the current period.

The fair value of derivatives is determined using valuation models for financial instruments using publicly available exchange rates (exchange rate for EUR – 4.1472) and interest rates (1M -12 M WIBID, 1M–12M EURIBOR). Indicators of exchange rates volatility are sourced from Reuters and are as follows:

EUR/PLN PUT - płaszczyzna zmienności na koniec grudnia 2013			
Tenor	Maturity	ATM Bid	ATM Ask
DD	2014-01-02	3,28%	4,98%
3 Days	2014-01-03	3,28%	4,98%
1 Week	2014-01-07	3,28%	4,98%
2 Weeks	2014-01-14	3,64%	5,06%
3 Weeks	2014-01-21	4,00%	5,14%
1 Month	2014-01-31	4,51%	5,26%
2 Months	2014-02-28	4,93%	5,68%
3 Months	2014-03-31	5,38%	6,08%
4 Months	2014-04-30	5,72%	6,41%
5 Months	2014-06-02	6,10%	6,77%
6 Months	2014-06-30	6,43%	7,08%
7 Months	2014-07-31	6,59%	7,25%
8 Months	2014-09-01	6,75%	7,44%
9 Months	2014-09-30	6,90%	7,60%
10 Months	2014-10-31	7,06%	7,78%
11 Months	2014-12-01	7,22%	7,95%
1 Year	2014-12-31	7,38%	8,13%
1Y 3M	2015-03-31	7,38%	8,13%
1Y 6M	2015-06-30	7,38%	8,13%
1Y 9M	2015-09-30	7,38%	8,13%
2 Years	2015-12-31	7,38%	8,13%

EUR/PLN CALL - płaszczyzna zmienności na koniec grudnia 2013			
Tenor	Maturity	ATM Bid	ATM Ask
DD	2014-01-02	3,28%	4,9
3 Days	2014-01-03	3,28%	4,9
1 Week	2014-01-07	3,28%	4,9
2 Weeks	2014-01-14	3,64%	5,0
3 Weeks	2014-01-21	4,00%	5,1
1 Month	2014-01-31	4,51%	5,2
2 Months	2014-02-28	4,93%	5,6
3 Months	2014-03-31	5,38%	6,0
4 Months	2014-04-30	5,72%	6,4
5 Months	2014-06-02	6,10%	6,7
6 Months	2014-06-30	6,43%	7,0
7 Months	2014-07-31	6,59%	7,2
8 Months	2014-09-01	6,75%	7,4
9 Months	2014-09-30	6,90%	7,6
10 Months	2014-10-31	7,06%	7,7
11 Months	2014-12-01	7,22%	7,9
1 Year	2014-12-31	7,38%	8,1
1Y 3M	2015-03-31	7,38%	8,1
1Y 6M	2015-06-30	7,38%	8,1
1Y 9M	2015-09-30	7,38%	8,1
2 Years	2015-12-31	7,38%	8,1

płaszczyzna zmienności na koniec grudnia 2013	*volatility sphere as at the end of December 2013*

The Company uses the Garman-Kohlhagen model for the valuation of European options.

Exchange rates at which currency options are executed are presented in note 36.2 Hedge accounting.

Level III

Level III covers shares in non-listed companies, for which it is not possible to reliably determine their fair value. For these companies, there are no active markets and no comparable transactions with the use of the same instruments. In the statement of financial position, there shares are valued at cost net of impairment write-downs.

	As at 31.12.2013	31.12.2012
As of the beginning of the period	3	3
Revaluation charges	-	-
Sale	-	-
As of the end of the period	**3**	**3**

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

35.4. Income, costs, profit and loss positions recognised in the profit and loss account

Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2013								
	Financial assets held to maturity	Financial assets/liabilities at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Income/(expense) due to interest	-	-	-	1,220	(1,006)	-	(89)	**125**
Foreign exchange profits/(losses)	-	-	-	467	(333)	-	-	**134**
(Establishment)/ reversal of revaluation write-downs	-	-	-	(1,301)	-	-	-	**(1,301)**
Dividends	-	-	25	-	-	-	-	**25**
Profits/(losses) on sale / execution of financial instruments	-	-	-	-	-	-	-	-
Adjustment of sales due to hedging transactions	-	-				2,857		**2,857**
Profits/(losses) due to the valuation and execution of derivatives	-	-	-	-	-	552	-	**552**
Total net profit/(loss)	-	-	**25**	**386**	**(1,339)**	**3,409**	**(89)**	**2,392**

Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2012							
	Financial assets held to maturity	Financial assets/liabilities at fair value through profit or loss	Assets Loans and financial receivables available for sale	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Income/(expense) due to interest	-	**-**	785	(1,265)	-	(140)	**(620)**
Foreign exchange profits/(losses)	**-**	-	(6,771)	7,175	-	-	**404**
(Establishment)/ reversal of revaluation write-downs	-	-	(563)	-	-	-	**(563)**
Dividends	-	-	7	-	-	-	**7**
Profits/(losses) on sale / execution of financial instruments	-	-	-	-	-	-	-
Adjustment of sales due to hedging transactions	-	-	-				-
Profits/(losses) due to the valuation and execution of derivatives	-	-	-				-
Total net profit/(loss)	-	-	**7 (6,549)**	**5,910**	-	**(140)**	**(772)**

36. Financial risk management objectives and policies

Apart from derivatives, the Company's principal financial instruments comprise bank loans, finance leases with buy option, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations. The Group also performs transactions involving derivatives, primarily FX foreign contracts of *zero-cost option strategies* type. The purpose of these transactions is to manage currency risk arising in the course of business activity of the Company.

It is – and has been throughout the audited period – the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees on policies for managing each of these risks and they are summarised below. The Company also monitors the market price risk arising from all financial instruments held. The accounting policies of the Company relating to derivatives are set out in note 6.19.

36.1. Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin. In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Company, i.e. loans and obligations under finance lease, their interest rate has been assumed to decline *per annum* for EURIBOR by 0.10 percentage point and increase *per annum* for WIBOR by 0.50 percentage point, as well as for LIBOR – by 0.05% (2012: WIBOR – a decrease of 0.75 percentage points; EURIBOR increased by 0.5 percentage points, LIBOR – none)

The Company does not have any hedging instruments against interest rate risk.

Interest rate risk — sensitivity analysis

The following table shows the sensitivity of gross financial result to reasonably possible changes in interest rates assuming that other factors do not change, in relation to liabilities bearing a floating interest rate.

	Change in percentage points	Impact on gross financial result
Year ended on 31.12.2013		
PLN	0.50%	(135)
EUR	-0.10%	33
USD	0.05%	(1)
Year ended on 31.12.2012		
PLN	-0.75%	139
EUR	0.50%	(66)

The carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk

31 December 2013 – variable interest rate

	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2,871

31 December 2012 – variable interest rate

	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	29,624	25,484	4,416	-	59,524
Financial lease	1,128	549	1,365	-	3,042

The effective interest rate for loans taken by the Company as at 31 December 2013 was 1.3871% (in 2012: 1.5796%).

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

36.2. Currency risk

The Company has sales transactions currency exposures. Such an exposure arises from sales and purchases made by an operating unit in currencies other than its functional currency. About 82% of the Company's sales transactions are denominated in currencies other than functional currency of the operating unit performing the sales.

The Company seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The following table shows the sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably possible fluctuations in the EUR, GBP and USD (in total) assuming that other factors do not change.

For the needs of the analysis, assumptions were made regarding changes in currency exchange rates based on published market forecasts: for data on 31 December 2013 an increase was assumed of all the mentioned exchange rates by 5% (2012: increase of 5%) and a decrease of 5% over the year (2012: decrease of 5%).

	Percentage change	Impact on financial result	Impact on capital
	31 December 2013		
Trade receivables	5%	3,829	-
Loans granted	5%	110	-
Cash	5%	522	-
Hedging instruments	5%	-	(9,615)
Trade liabilities	5%	(1,129)	-
Bank loans	5%	(3,357)	-
Leases	5%	(136)	
Impact of the increase in total		**(161)**	**(9,615)**
Trade receivables	-5%	(3,829)	-
Loans granted	-5%	(110)	-
Cash	-5%	(522)	-
Hedging instruments	-5%	-	13,444
Trade liabilities	-5%	1,129	-
Bank loans	-5%	3,357	-
Leases	-5%	136	
Impact of the decrease in total		**161**	**13,444**
	31 December 2012		
Trade receivables	5%	3,245	-
Loans granted	5%	122	-
Cash	5%	613	-
Hedging instruments	5%	-	(5,673)
Trade liabilities	5%	(1,000)	-
Bank loans	5%	(2,931)	-
Impact of the increase in total		49	(5,673)
Trade receivables	-5%	(3,245)	-
Loans granted	-5%	(122)	-
Cash	-5%	(613)	-
Hedging instruments	-5%	-	9,336
Trade liabilities	-5%	1,000	-
Bank loans	-5%	2,931	-
Impact of the decrease in total		**(49)**	**9,336**

Currency risk hedging

The basic method of managing the currency risk are hedging strategies which use derivative instruments. To hedge future foreign currency transactions, the Company uses symmetrical option strategies and forward contracts.

Impact of derivatives on the statement of financial position

As at 31 December 2013, the fair value of open items in derivatives amounted to PLN 9,318 thousand and was recognised in total in receivables from derivative financial instruments.

Impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2013, the result on derivatives amounted to PLN 3,409 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting.

Impact of derivatives on the result of the period

	01.01–31.12.2013	01.01–31.12.2012
Influence on sales revenue	2,857	-
Impact on revenue/ financial costs, of which:	552	-
- *due to the execution of derivatives in the period*	*500*	-
- *due to the valuation of derivatives in the period*	*52*	-
Proceeds from derivatives on the result of the period, in total:	**3,409**	-

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 6.20. According to them, changes in fair value of hedging instruments are included in the effective part in the equity of the Company and in the ineffective part in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation day.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 28.3 of additional explanatory notes.

Fair value of foreign exchange contracts

As at 31 December 2013, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 9,318 thousand and as the effective value it was recognised in total in reserves from revaluation and receivables from derivative financial instruments.

In addition, at the balance sheet date receivables from derivative financial instruments included an amount of PLN 506 thousand as a result of an option due on 31 December 2013, whose cash settlement with the bank took place on 3 January 2014.

The following table contains data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts. Settlement terms are consistent with the terms in which the amount charged to the revaluation reserve in respect of the transaction will be charged to the profit and loss account.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Exchange rate	Name of the Bank	Fair value
EUR	7,000	Put Option	03.2012	09.2014–12.2014	4.2000	PKO BP S.A.	681
EUR	7,000	Call Option	03.2012	09.2014–12.2014	4.7110	PKO BP S.A.	(55)
EUR	20,000	Put Option	06.2012	01.2014–05.2014	4.3000	PKO BP S.A.	2,797
EUR	20,000	Call Option	06.2012	01.2014–05.2014	4.9830–5.1400	PKO BP S.A.	0
EUR	9,000	Put Option	03.2013	12.2014–02.2015	4.2000	PKO BP S.A.	979
EUR	9,000	Call Option	03.2013	12.2014–02.2015	4.7110–4.7580	PKO BP S.A.	(134)
EUR	8,000	Put Option	05.2013	03.2015–04.2015	4.1800–4.2000	PKO BP S.A.	860
EUR	8,000	Call Option	05.2013	03.2015–04.2015	4.6760–4.7000	PKO BP S.A.	(228)
EUR	10,000	Put Option	11.2013	08.2015–09.2015	4.2500	PKO BP S.A.	1,393
EUR	10,000	Call Option	11.2013	08.2015–09.2015	4.6300	PKO BP S.A.	(609)
Total						**PKO BP S.A.**	**5,684**
EUR	14,000	Put Option	01.2013	06.2014–12.2014	4.1500–4.2000	mBank S.A.	1,141
EUR	14,000	Call Option	01.2013	06.2014–12.2014	4.6660–4.8000	mBank S.A.	(52)
EUR	4,000	Put Option	05.2013	05.2015	4.3000	mBank S.A.	650
EUR	4,000	Call Option	05.2013	05.2015	4.7530	mBank S.A.	(105)
EUR	4,000	Put Option	06.2013	06.2015	4.3500	mBank S.A.	763
EUR	4,000	Call Option	06.2013	06.2015	4.8610	mBank S.A.	(75)
EUR	4,000	Put Option	08.2013	07.2015	4.2600	mBank S.A.	573
EUR	4,000	Call Option	08.2013	07.2015	4.8000	mBank S.A.	(112)
Total						**mBank S.A.**	**2,783**
EUR	6,000	Put Option	04.2012	01.2014–03.2014	4.3000	HSBC Bank Polska S.A.	851
EUR	6,000	Call Option	04.2012	01.2014–03.2014	4.8100–4.8850	HSBC Bank Polska S.A.	0
Total						**HSBC Bank Polska S.A.**	**851**

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

36.3. Credit risk

The Company operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies.

In the event of overdue receivables, in accordance with the applicable procedures sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial assets and derivative instruments with positive fair value, the Company's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk in the Company.

36.4. Liquidity risk

The Company is exposed to liquidity risk resulting from the relation of short-term liabilities to current assets. The lack of funds risk is monitored by the Company with the use of the periodical liquidity planning tool. This tool takes into account maturity dates both of investments and financial assets (e.g. receivables accounts, other financial assets) and forecast cash flows from operating activity.

The Company's objective is to maintain a balance between continuity and flexibility of funding through the use of various sources such as bank loans, and finance leases.

The table below provides an analysis of the Company's financial liabilities as at 31 December 2013 and as at 31 December 2012 by maturity based on contractual non-discount payment terms.

31 December 2013	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2,871
Trade and other liabilities	56,528	-	-	-	56,528
	66,543	**5,846**	**54,447**	-	**126,836**

31 December 2012	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	29,624	25,484	4,416	-	59,524
Financial lease	1,128	549	1,365	-	3,042
Trade and other liabilities	44,428	-	-	-	44,428
	75,180	**26,033**	**5,781**	-	**106,994**

37. Capital management

The Company's main objective when managing capital is to maintain a good credit rating and safe capital ratios that can support the Company's operating activities and increase its value to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the years ended 31 December 2013 and 31 December 2012, no changes in objectives, principles and processes applicable in this area were made.

The Company monitors capital using the leverage ratio calculated as the ratio of net debt to net debt plus total equity. The Company's policy is to keep the ratio between 20% and 40%.

	31.12.2013	31.12.2012
Interest-bearing credits and loans	67,437	59,524
Financial lease	2,871	3,042
Trade and other liabilities, provisions and accruals	100,279	75,058
Cash and cash equivalents	(69,277)	(26,574)
Net debt	**101,310**	**111,050**
Share capital	23,751	23,751
Supplementary capital from share premium	111,646	111,646
Other reserve capital	146,803	137,494
Revaluation reserve	7,548	7,249
Business combination capital	(1,073)	(1,073)
Incentive Scheme	420	198
Retained earnings	80,043	55,541
Total capital	**369,138**	**334,806**
Capital and net debt ratios	**470,448**	**445,856**
Gearing ratio	**21.50%**	**24.91%**

37.1. Transactions involving the Management Board, key managerial staff and members of their immediate families.

Incentive Scheme for Members of the Management Board of the Parent Company and the issue of series A, B and C subscription warrants with the exclusion of the pre-emptive right to series A, B and C subscription warrants

Due to the fact that as at 31 December 2013 the non-market condition of net profit growth per share of the Parent Company, established on the basis of the consolidated annual financial statements of the Capital Group, has been met, the Company has adopted the number of 150,000 warrants as remaining to be executed on this day. Thus, the value of the total cost recognised in the reporting period ended 31 December 2013 amounted to PLN 222 thousand.

The table below presents the scope of the adopted incentive scheme for unrealised Series, in accordance with the agreed Rules of the Incentive Scheme.

	C series
Number of subscription warrants	150,000
Vesting period	1 January 2013 – 31 December 2013

Issue price of the Series G shares	PLN 11.52
Conditions for entitlement to acquire warrants	1/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2013 as compared to the average price of the Company's shares on the WSE in December 2012 2/ increase by at least 10% of net profit per Company's share as at 31 December 2013 as compared to the result as at 31 December 2012 3/ serving as a Member of the Management Board for at least six months in the given period and remaining at the position at the end of the given period, as well as obtaining acknowledgement of fulfilment of duties of the Member of the Management Board of the Company during the given period

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

	Series	Number of warrants	weighted average execution price
As at 31.12.2013	C	150,000	11.52
Granted in 2012		-	-
Redeemed/expired in 2012	B	150,000	11.52
Granted in 2011		-	-
Redeemed/expired in 2011	A	150,000	11.52

37.2. Entity with significant influence over the Company

Information about the entities holding more than 5% of the share capital of the entity is presented in Note 28.1.

37.3. Terms and conditions of transactions with related parties

All transactions with related entities are conducted under the terms used by the Company in relations with unrelated entities.

37.4. Remuneration of the Company's senior management

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Company:

	Period of 12 months ended 31.12.2013	31.12.2012
Management Board's remuneration, including:	**7,433**	**6,519**
in the Issuer's enterprise	**6,800**	**5,809**
Maciej Formanowicz	1,471	1,548
Robert Rogowski	1,199	1,127
Gert Coopmann	2,484	1,994
Klaus Dieter Dahlem	1,646	1,140
for performing functions in the governing bodies of the subsidiaries	**633**	**710**
Maciej Formanowicz	557	603
Robert Rogowski	-	-
Gert Coopmann	76	107
Klaus Dieter Dahlem	-	-
Supervisory Board:	**216**	**216**
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	42	42
Tomasz Domagalski	42	42

Remuneration paid or payable to other members of key management personnel:

	Year ended 31.12.2013	31.12.2012
Short-term employee benefits (salaries and overheads)	4,493	4,232
Jubilee awards	-	-
Benefits after the employment period	-	-
Revenues from dissolution of employment	-	66
Share-based employee benefits	-	-
Total remuneration paid to key management personnel (except for members of the Management Board and the Supervisory Board)	**4,493**	**4,298**

37.5. Participation of senior executives in the employee programmes and schemes

No employee share incentive programmes were in force in the reporting period.

38. Employment structure

The average employment in the Company in the period from January to December of the year was as follows:

	2013	2012
Company Management Board	4	4
Administration	115	105
Sales Department	224	240
Production Division	1,462	1,358
Other	337	312
Total	**2,142**	**2,019**

39. Subsequent events after the reporting period

On 10 January 2014, Robert Sławomir Rogowski submitted his resignation from the position of Vice President of the Management Board of the Issuer. The resignation was due to personal matters. On the same day, the Company's Supervisory Board appointed as of 1 March 2014 Mariusz Jacek Gazda as Member of the Management Board of the Issuer.

The Company entered into the following zero-cost transactions regarding the sale of Call options and purchase of Put options hedging from currency risk:

– on 21 January 2014 with mBank S.A.:

1. 2,500,000 EUR – Put 4.2200 – Call 4.5870 with an expiration date 2015-10-29
2. 2,500,000 EUR – Put 4.2200 – Call 4.5870 with an expiration date 2015-11-27
3. 2,500,000 EUR – Put 4.2200 – Call 4.5870 with an expiration date 2015-12-28

The total nominal amount of the transactions amounts to EUR 15 million (EUR 7.5 million for each option type), which is equivalent to the amount of PLN 62.5 million.

– on 24 January 2014 with mBank S.A.:

1. 2,500,000 EUR – Put 4.2710 – Call 4.5900 with an expiration date 2015-10-15
2. 2,500,000 EUR – Put 4.2710 – Call 4.5900 with an expiration date 2015-11-13
3. 2,000,000 EUR – Put 4.2710 – Call 4.5900 with an expiration date 2015-12-14

The total nominal amount of the transactions amounts to EUR 14 million (EUR 7 million for each option type), which is equivalent to the amount of PLN 58.8 million.

– on 14 March 2014 with ING Bank Śląski S.A.:

1. 1,000,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-07-29
2. 1,000,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-09-14
3. 1,500,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-10-15
4. 1,500,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-10-29
5. 1,500,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-11-13
6. 1,500,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-11-27
7. 1,000,000 EUR – Put 4.2600 – Call 4.7305 with an expiration date 2015-12-14

– on 14 March 2014 with PKO Bank Polski S.A.:

1. 2,000,000 EUR – Put 4.3000 – Call 4.7465 with an expiration date 2016-01-15
2. 2,000,000 EUR – Put 4.3000 – Call 4.7465 with an expiration date 2016-02-15
3. 2,000,000 EUR – Put 4.3000 – Call 4.7465 with an expiration date 2016-03-14

The total nominal amount of the transactions amounts to EUR 30 million (EUR 15 million for each option type), which is equivalent to the amount of PLN 127 million.

On 30 January 2014, the Company signed the following forward transactions with PKO BP S.A.:

1. Sale EUR 1,000,000 at the rate of 4.2662 with settlement date on 2014-06-16
2. Sale EUR 1,000,000 at the rate of 4.2739 with settlement date on 2014-07-15
3. Sale EUR 2,000,000 at the rate of 4.2818 with settlement date on 2014-08-14
4. Sale EUR 3,000,000 at the rate of 4.2900 with settlement date on 2014-09-15
5. Sale EUR 3,000,000 at the rate of 4.2985 with settlement date on 2014-10-15
6. Sale EUR 3,000,000 at the rate of 4.3065 with settlement date on 2014-11-14

The total nominal amount of the said transactions amounts to EUR 13 million, which is equivalent to the amount of PLN 55 million.

Signature of the person entrusted with bookkeeping

Anna Wilczyńska

....

Signatures of all Members of the Board:

President of the Management Board
Maciej Formanowicz

....

Member of the Management Board
Mariusz Gazda

....

Member of the Management Board
Klaus Dieter Dahlem

....

Member of the Management Board
Gert Coopmann

....

Ostrów Mazowiecka, 21 March 2014

FABRYKI MEBLI “FORTE” S.A.

Management Board’s report on the operations of Fabryki Mebli “FORTE” S.A. for the period ended 31 December 2013

Ostrów Mazowiecka, 21 March 2014

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CURRENT FINANCIAL AND OPERATIONAL STANDING

This Report on the operations of the Issuer – Fabryki Mebli "FORTE" S.A. – in 2013 was prepared on the basis of § 91 of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, item 133).

1. Basic information on Fabryki Mebli FORTE S.A.

1.1. Information on the Parent Company

Fabryki Mebli FORTE S.A. ("Company") was established by a Notarial Deed of 25 November 1993. The Company's seat is located in Ostrów Mazowiecka, ul. Biała 1.

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

The Parent Company was assigned the statistical number REGON: 550398784.

The duration of the Company is perpetual.

Main activities of the Company include:

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

The Company owns investments in the following subsidiaries:

Subsidiaries	Registered office	Scope of activities
MV Forte GmbH	Erkelenz (Germany)	Dealership
Forte Möbel AG	Baar (Switzerland)	Dealership
Forte Baldai UAB	Vilnius (Lithuania)	Dealership
Forte SK S.r.o.	Bratislava (Slovakia)	Dealership
Forte Furniture Ltd.	Preston (United Kingdom)	Dealership
Forte Iberia S.l.u.	Valencia (Spain)	Dealership
Forte Mobilier S.a.r.l.	Lyon (France)	Dealership
Forte Mobila S.r.l.	Bacau (Romania)	Dealership
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease
**Galeria Kwadrat Sp. z o.o.*	*Bydgoszcz*	*Management of real property*
TM Handel Sp. z o.o.	Warsaw	Advisory services regarding conducting business activity and management
TM Handel Sp. z o.o. S.K.A.	Ostrów Mazowiecka	Purchase, sale and management of real property, advisory services regarding conducting business activity and management
***Fort Investment Sp. z o.o.*	*Ostrów Mazowiecka*	*Purchase, sale and management of real property, advisory services regarding conducting business activity and management*

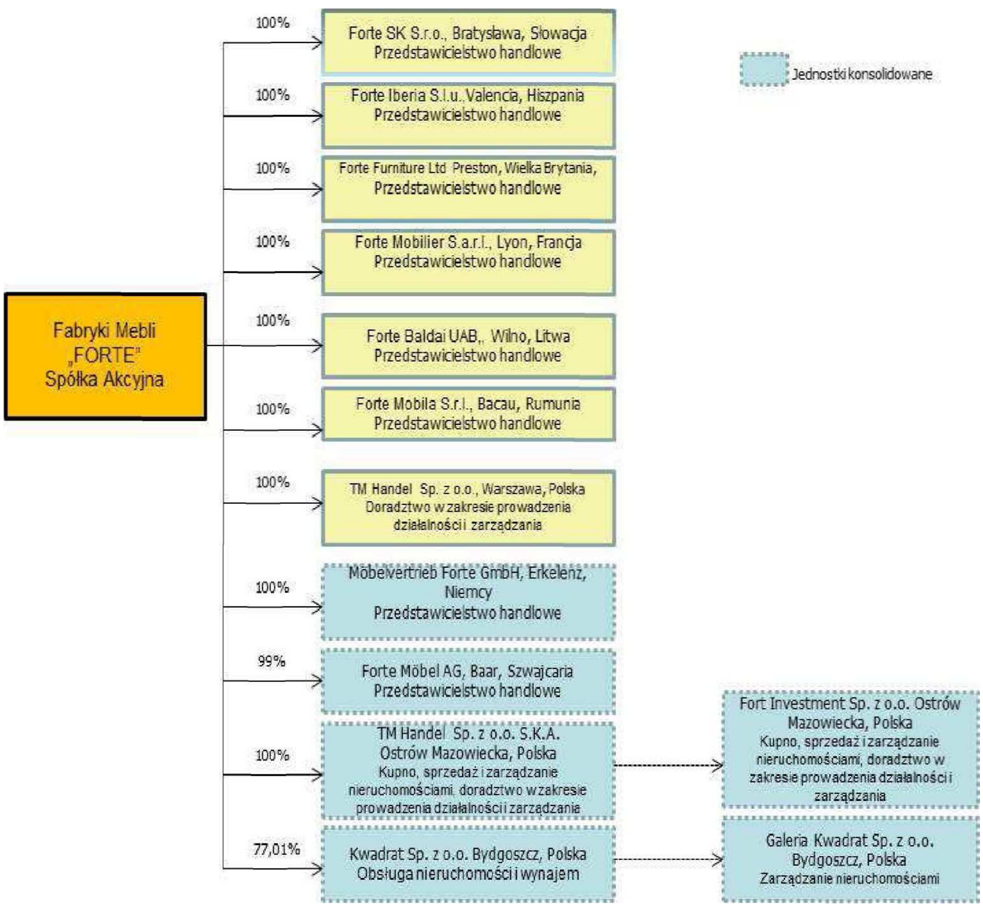
* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related company – 100% subsidiary of TM Handel Sp. z o.o. SKA

Fabryki Mebli "FORTE" S.A. conducts its business through four domestic Branches:

- Ostrów Mazowiecka ul. Biała 1 – HQ – the head office of the Company together with the Management Board and manufacturing plant;
- Suwałki ul. Północna 30 – manufacturing plant;
- Hajnówka ul. 3-go Maja 51 – manufacturing plant.
- Białystok ul. Generała Andersa 11 – manufacturing plant;

and furniture stores in Wrocław, Bydgoszcz, Toruń, Przemyśl and Białystok.

The Company is a Parent Company and forms the Capital Group together with other entities. As at 31 December 2013 the Capital Group was composed of:



Przedstawicielstwo handlowe	*Dealership*
Jednostki konsolidowane	*Consolidated entities*
Doradztwo w zakresie prowadzenia działalności i zarządzania	*Advisory services regarding conducting business activity and management*
Kupno, sprzedaż i zarządzanie nieruchomościami, doradztwo w zakresie prowadzenia działalności i zarządzania	*Purchase, sale and management of real property, advisory services regarding conducting business activity and management*
Obsługa nieruchomości i wynajem	*Real estate service and lease*
Zarządzanie nieruchomościami	*Management of real property*

1.2. Company Management Board

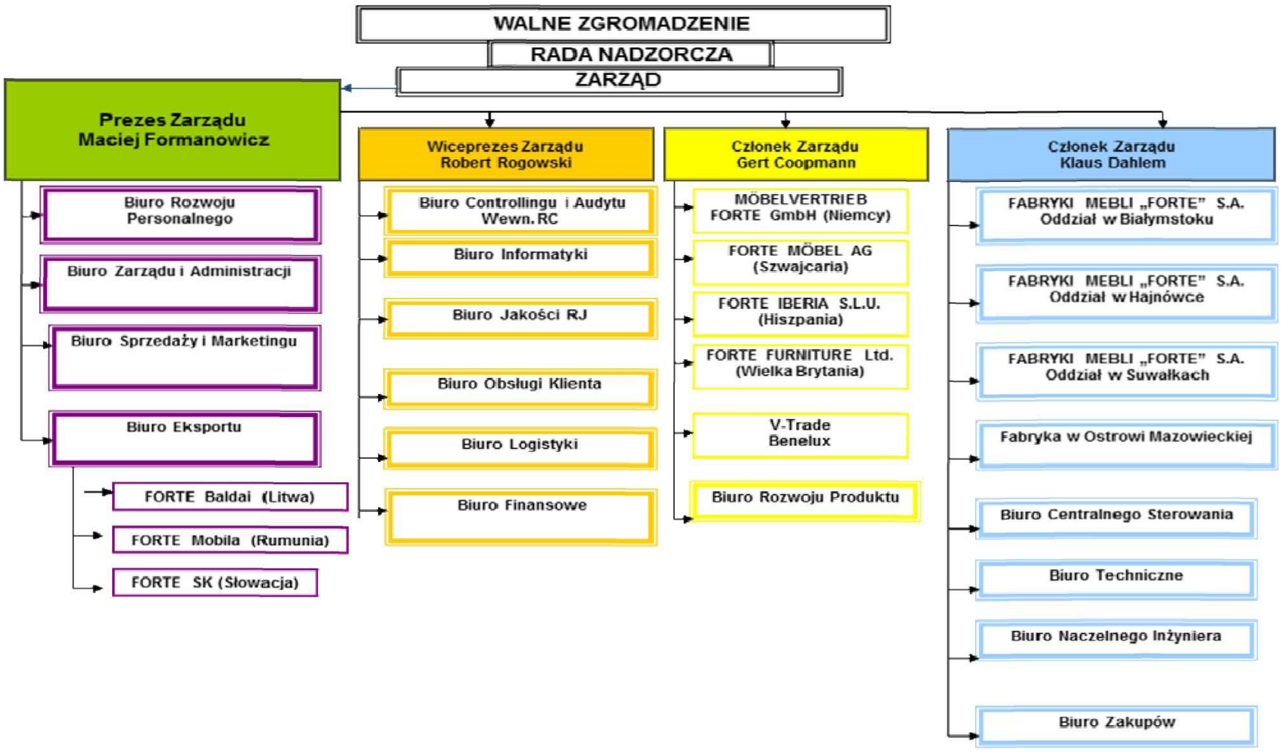
Management Board composition as at the balance sheet date ended 31 December 2013

Maciej Formanowicz – President of the Management Board
Robert Rogowski – Vice President of the Management Board
Klaus Dieter Dahlem – Member of the Management Board
Gert Coopmann – Member of the Management Board

Management Board composition as of the date of publication of this report i.e. 21 March 2014

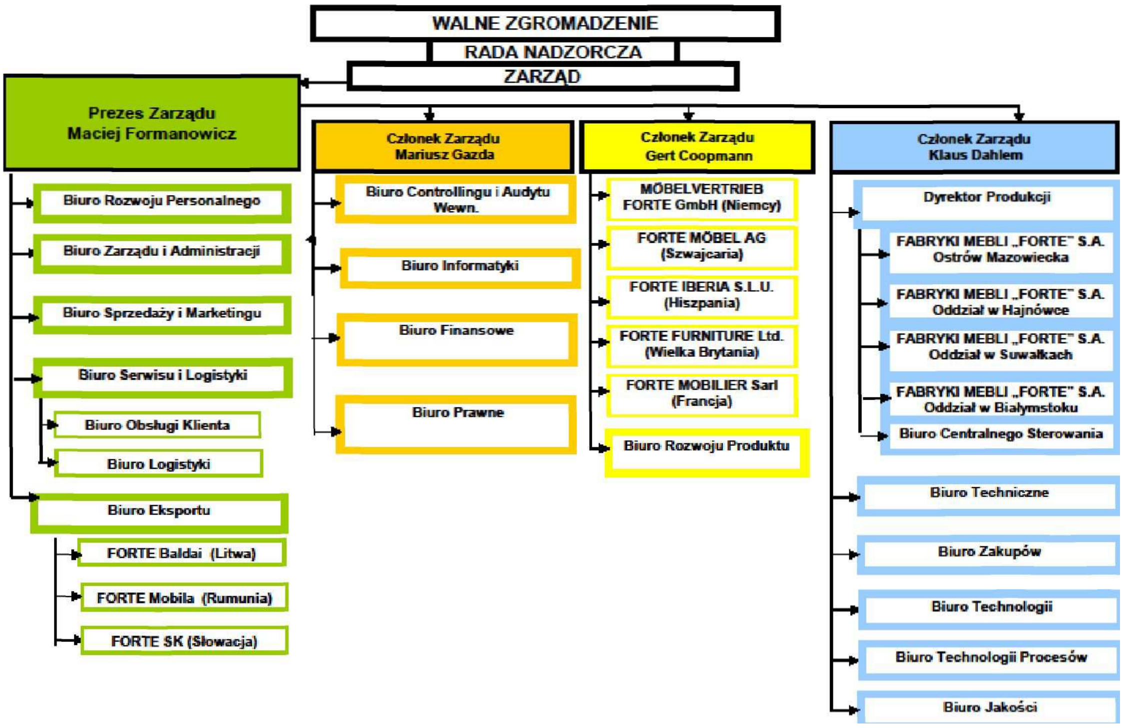
Maciej Formanowicz – President of the Management Board
Mariusz Gazda – Member of the Management Board
Klaus Dieter Dahlem – Member of the Management Board
Gert Coopmann – Member of the Management Board

Chart illustrating roles and division of responsibilities of Members of the Management Board of Fabryki Mebli "FORTE" S.A., in force at the end of 2013.



Walne Zgromadzenie	*General Meeting*
Rada Nadzorcza	*Supervisory Board*
Zarząd	*Management Board*
Prezes Zarządu	*President of the Management Board*
Biuro Rozwoju Personalnego	*Human Resources Development Office*
Biuro Zarządu i Administracji	*Management and Administration Office*
Wiceprezes Zarządu	*Vice President of the Management Board*
Członek Zarządu	*Member of the Management Board*
Biuro Controllingu i Audytu Wew. RC	*RC Internal Audit and Controlling Office*
Biuro Informatyki	*IT Office*
Biuro Jakości RJ	*RJ Quality Office*
Oddział w	*Branch in*
Biuro Sprzedaży i Marketingu	*Sales and Marketing Office*
Biuro Eksportu	*Export Office*
Biuro Obsługi Klienta	*Customer Service Office*
Biuro Logistyki	*Logistics Office*
Biuro Finansowe	*Financial Office*
Biuro Rozwoju Personalnego	*Human Resources Development Office*
Fabryka w Ostrowi Mazowieckiej	*Factory in Ostrów Mazowiecka*
Biuro Centralnego Sterowania	*Central Control Office*
Biuro Techniczne	*Technical Office*
Biuro Naczelnego Inżyniera	*Chief Engineer Office*
Biuro Zakupów	*Purchase Office*

Chart illustrating roles and division of responsibilities of Members of the Management Board of Fabryki Mebli "FORTE" S.A., in force as of 1 March 2014.



Walne Zgromadzenie	*General Meeting*
Rada Nadzorcza	*Supervisory Board*
Zarząd	*Management Board*
Prezes Zarządu	*President of the Management Board*
Biuro Rozwoju Personalnego	*Human Resources Development Office*
Biuro Zarządu i Administracji	*Management and Administration Office*
Wiceprezes Zarządu	*Vice President of the Management Board*
Członek Zarządu	*Member of the Management Board*
Biuro Controllingu i Audytu Wew.	*RC Internal Audit and Controlling Office*
Biuro Informatyki	*IT Office*
Biuro Jakości RJ	*RJ Quality Office*
Oddział w	*Branch in*
Biuro Sprzedaży i Marketingu	*Sales and Marketing Office*
Biuro Eksportu	*Export Office*
Biuro Obsługi Klienta	*Customer Service Office*
Biuro Logistyki	*Logistics Office*
Biuro Finansowe	*Financial Office*
Biuro Rozwoju Personalnego	*Human Resources Development Office*
Biuro Centralnego Sterowania	*Central Control Office*
Biuro Zakupów	*Purchase Office*
Biuro Serwisu i Logistyki	*Service and Logistics Office*
Biuro Prawne	*Legal Office*
Dyrektor Produkcji	*Production Director Office*
Biuro Rozwoju Produktu	*Product Development Office*
Biuro Technologii	*Technology Office*
Biuro Technologii Procesów	*Process Technology Office*
Biuro Jakości	*Quality Office*

1.3. Forte's mission and policy

Mission: Production leader, reliable supplier of modern furniture systems, which meets customer needs.

The objective of Fabryki Mebli FORTE S.A. is to

- Continually increase the value of the company, and thus ensure that the shareholders receive a higher-than-average return on invested capital,
- Ensure the supply of goods and services meeting the requirements of Customers in a wide range of their needs, taking into account specific market requirements,
- Achieve full satisfaction of our Customers,
- Strengthen the opinion of a credible and reliable partner,

- Build creative relationships in the work environment through shaping the awareness and personality of people,
- Provide conditions ensuring safety and health at work,
- Conduct activities in an environmentally acceptable way,
- Be committed to preserving the values of FSC.

The above-mentioned policy is implemented by the Company through:

- Constant monitoring of activities and their effects in financial terms and of Customer satisfaction, continued improvement of the Organisation Management System with the use of PN-EN ISO 9001:2009 Quality Management Systems,
- Continuous improvement of processes and product design so that their production is safer and their operational parameters meet Customer expectations and needs,
- Forming the attitudes of safe handling through the identification of threats and creation of technical, economical and organisational conditions leading to a reduction of risks,
- Acting in accordance with legal requirements and other regulations regarding the activities of the Organisation, the product, health and safety at work and environmental protection.

The effectiveness and efficiency of the Integrated Quality Management System and FSC is subject to continued commitment and responsibility of the Management Board.

1.4. Key events in which the issuer participated in 2013 and until the date of publication of the Management Board's Report

Date	Event
14–20 January 2013	IMM Fair in Cologne, Germany
28 January – 1 February 2013	PartnerTage Fair in Barntrup, Germany
5–8 March 2013	Meble Polska Fair in Poznań, 2013
4–7 June 2013	Partner Days in Ostrów Mazowiecka
10–11 July 2013	Conforama Fair in Ostrów Mazowiecka
3–6 September 2013	International Furniture Fair in Ostróda
16–20 September 2013	MOW Fair in Germany
29 September 2013	Main sponsor of the TV project "Our new home" aired on Polsat TV
13 January 2014	IMM Fair in Cologne, Germany
19–22 January 2014	NEC Fair, United Kingdom
28–30 January 2014	Fair in Barntrup, Germany
11–14 February 2014	Fair in Valencia, Spain

1.5. Awards and honours

- "Diamond of the Furniture Industry 2013" award in the Living Room Space category – "Linea" in the competition organised by *BIZNES meble.pl* monthly and the meble.pl website,
- Award granted by the meble.pl website in the "MebWeb" competition for the best industry website www.forte.com.pl
- Distinction for the FADO collection in the "Living Room" category in the 11th edition of the "Meble Plus – Product of the Year 2013" competition, organised by *Meble Plus* monthly
- First place in the 2013 ranking of the Cabinet Furniture Manufacturers in Poland organised by *Meble Plus* monthly. When evaluating the manufacturers, elements taken into account included business contacts quality as well as warranty and post-warranty service.
- Ostróda Fair 2013 – award for the best stand.
- Gold medal of the Poznań International Fair in the cabinet furniture category – SNOW programme – MEBLE POLSKA 2014 Fair
- Award for the ATTENTION programme in the "Dining room" category in the 12th edition of the contest for the best furniture industry products organised by "Meble Plus – Product of the Year 2014"

2. Information concerning basic products, goods and services

Value sales in individual assortments (in PLN '000):

Assortment	**2013**		**2012**		**Change during the period**	
	Value	**Share**	**Value**	**Share**	**Value**	**Share**
Cabinet furniture	644,883	96.8%	535,178	95.6%	109,705	1.2%
Other furniture	1,864	0.3%	3,295	0.6%	(1,431)	(0.3%)
Goods	9,474	1.4%	12,576	2.2%	(3,102)	0.8%).
Materials	3,624	0.5%	3,078	0.6%	546	(0.1%)
Services	6,709	1.0%	5,497	1.0%	1,212	0.0%
Total	**666,554**	**100%**	**559,624**	**100%**	**106,930**	**19.1%**

Due to the diversity of its assortment, the Company does not present the volume structure of sales as the value structure gives a complete picture of the sales structure and its changes.

According to the Company's strategy, it focuses its activities on the production of cabinet furniture for residential premises and offices and is one of the leaders among Polish furniture producers on the market. Complementarity and coherence of the offer is additionally ensured with tables, chairs and decorative additions. The products offered by Fabryki Mebli "FORTE" S.A. have been recognisable in the market for many years. The Company has a wide range of regular customers – chain stores, furniture stores and warehouses.

In 2013, the Company continued the direction of the development of its commercial offer commenced in previous years and assuming focusing on the most profitable product group. Introduced to offer was a record number of programmes with a modern design. Our new segment line of assembled furniture was very successful.

3. Information about markets, including the division into domestic and foreign markets.

The share of export sales has for many years constituted the basis for the activities of FORTE. In 2013, export sales amounted to PLN 542,044 thousand and constituted 81.3% of total annual sales (in 2012 – PLN 450,127 thousand – 80.4%). German-speaking markets (Germany, Austria, Switzerland) remain the strategic ones, with sales in 2013 accounting for approx. 70% of total export sales.

Sales in the Polish market amounted to PLN 124,510 thousand (18.7%) compared to PLN 109,497 thousand (19.57%) in 2012 and focused on two main distribution channels: traditional furniture stores and retail chains.

Market development takes place by, *inter alia*, attracting new customers, increasing the number of products at regular customers and introducing new products to the market. The Company perceives the number of new products that are welcomed by the customers as its strength.

The biggest customer for the Company's products is Roller GmbH (Germany). This customer's share in Fabryki Mebli "FORTE" S.A.'s sales income exceeded 10%. There are no formal ties between the customer and the Company.

The strategic supplier of raw materials for the Company is the PFLEIDERER Group. In 2013, the accounts exceeded 10% of the Company's sales income. There are no formal ties between the supplier and the Issuer.

4. Information concerning contracts important for the activity.

Insurance contracts entered into by the Issuer in 2013:

- in co-insurance with Generali T.U.S.A, TUiR "WARTA" S.A., Gothaer Towarzystwo Ubezpieczeń S.A., and InterRisk Towarzystwo Ubezpieczeń S.A Vienna Insurance Group: insurance period 25 September 2013 – 24 September 2014

– property insurance from acts of God – the sum insured PLN 505,461 thousand

– insurance of the loss of profit – the sum insured PLN 177,680 thousand

- with TUiR "Warta S.A.": insurance period 25 September 2013 – 24 September 2014

– electronic equipment insurance against all risks – the sum insured PLN 3,200 thousand

– business liability insurance – the sum insured PLN 15,000 thousand

– insurance of cargo in transport – the sum insured PLN 317,000 thousand

- with AIG Europe Limited Sp. z o.o.: insurance period 1 April 2013 – 31 March 2014

– liability insurance of the Members of the Issuer's Bodies – the sum insured EUR 10,000 thousand.

5. Information about material transactions concluded with related entities on conditions other than arm's length conditions.

All transactions with related entities are conducted under market terms used by the Issuer in relations with unrelated entities.

The following table presents total amounts of transactions concluded with subsidiaries: Transactions regard the sales of products, goods and services and the purchase of services.

Related entity		Sales to related undertakings	Purchases from related entities	Receivables from related entities	Liabilities to related entities
MV Forte GmbH	31.12.2013	1,013	12,836	902	2,423
	31.12.2012	776	10,099	711	3,638
Forte Möbel AG	31.12.2013	15,030	1,788	2,120	84
	31.12.2012	11,173	1,573	1,000	301
Forte Baldai UAB	31.12.2013	-	253	49	-
	31.12.2012	120	-	151	-

Forte SK S.r.o.	31.12.2013	168	1,947	-	138
	31.12.2012	204	2,169	109	167
Forte Furniture Ltd.	31.12.2013	-	475	-	40
	31.12.2012	-	589	-	48
Forte Iberia S.l.u.	31.12.2013	6	757	-	62
	31.12.2012	-	707	-	12
Forte Mobilier S.a.r.l.	31.12.2013	-	338	1	41
	31.12.2012	-	-	136	-
Forte Mobila S.r.l.	31.12.2013	345	465	138	-
	31.12.2012	1,050	235	1,916	30
TM Handel Sp. z o.o.	31.12.2013	26,499	4,415	3,729	309
	31.12.2012	32,860	3,985	9,946	1,645
TM Handel Sp. z o.o. S.K.A.	31.12.2013	1	-		-
	31.12.2012	-	-		-
FORT INVESTMENT Sp. z o.o.	31.12.2013	1	-	-	-
	31.12.2012	-	-	-	-
Kwadrat Sp. z o.o.	31.12.2013	-	-	-	-
	31.12.2012	-	-	-	-
Galeria Kwadrat Sp. z o.o.	31.12.2013	-	403	-	-
	31.12.2012	-	499	-	-
Total	**31.12.2013**	**43,063**	**23,677**	**6,939**	**3,097**
	31.12.2012	**46,183**	**19,856**	**13,969**	**5,841**

6. Information regarding credits and loans.

As at 31 December 2013, the Company's debts due to short-term bank loans and borrowings amounted to PLN 9,259 thousand (on 31.12.2012 – PLN 29,624 thousand).

As at 31 December 2013, the Company's debts due to long-term bank loans and borrowings amounted to PLN 58,178 thousand (on 31.12.2012 – PLN 29,900 thousand).

Additional information on loans has been included in the table below. All values have been presented in PLN '000

Short-term	**Nominal interest rate %**	**Due date**	**31.12.2013**	**31.12.2012**
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31 October 2015		20,193
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – short-term portion	1 M WIBOR	by 30 June 2014	300	600
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – short-term portion	1 M EURIBOR	by 31 March 2015	3,681	3,628
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – short-term portion	3 M EURIBOR	by 19 June 2015	5,278	5,203
Total short-term			**9,259**	**29,624**

Long-term	**Nominal interest rate %**	**Due date**	**31.12.2013**	**31.12.2012**
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – long-term portion	1M EURIBOR	by 31 March 2015	1,840	5,442
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 19 December 2016	24,883	16,353
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M LIBOR	by 31 October 2015	28,816	
PKO BP S.A. – investment loan in the amount of	1 M WIBOR	by 30 June 2014	-	300

PLN 3,000 thousand – long-term portion				
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – long-term portion	3 M EURIBOR	by 19 June 2015	2,639	7,805
Total long-term			**58,178**	**29,900**

Bank loan securities as at	**31 December 2013**
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand	1. Ordinary mortgage in the amount of PLN 3,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 2. Capped mortgage in the amount of PLN 1,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand	1. Transfer of ownership of machinery and equipment with a value of PLN 14,252 thousand, together with the assignment of rights under the insurance contract 2. Registered pledge on equipment with the value of PLN 4,934 thousand, together with the assignment of rights under the insurance contract
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on equipment up to a maximum amount of security of PLN 25,700 thousand, together with the assignment of rights under the insurance contract 2. Statement of the borrower on submission to enforcement proceedings under Article 96 and 97 of the Banking law
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand	1. Registered pledge on inventory in the factory in Hajnówka with the value of PLN 23,043 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage in the amount of PLN 45,000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 3. Registered pledge on production lines with the value of PLN 14,812 thousand, together with the assignment of rights under the insurance contract.
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand.	1. Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 42,000 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage up to a maximum amount of PLN 42,000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on the movable assets with a value of no less than PLN 21,010 thousand. 2. An assignment of rights from the insurance policy 3. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. – working capital facility in the amount of EUR 1,000 thousand.	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	As at 31.12.2013	31.12.2012
PLN	300	900
EUR	66,512	56,007
USD	616	2,617
	67,437	**59,524**

In 2013, the Management Board of the Company entered into the following loan agreements:

– on 16 September 2013 it signed a supplementary agreement with ING Bank Śląski S.A. to the loan agreement dated 24 June 2003 extending the credit period to 31 October 2015. The amount of the loan and loan collateral remained unchanged.

– on 20 December 2013, the Company signed an annex to the overdraft facility agreement of 14 February 2000 with PKO BP S.A. By virtue of the annex, the final period of the loan was extended to 19 December 2016. The amount of the loan and the loan collateral remained unchanged.

– on 20 December 2013, it concluded a loan agreement with mBank S.A. for a multi-currency overdraft up to a total amount not exceeding EUR 1,000 thousand with the possibility of simultaneous use of the amount in PLN and USD. Period of the loan is one year and ends on 16 December 2014.

– on 23 December 2013, it signed an agreement with PKO BP S.A. regarding investment loan in the amount of EUR 3,500 thousand for the financing of the purchase of production machinery and equipment. The deadline of the loan expires on 31 May 2014. The loan repayment period was set until December 2018. Its repayment will take place from 30 June 2014 in equal quarterly instalments.

7. Information concerning loans granted in the fiscal year.

In the reporting period ended 31 December 2013, the Company extended loans to the following subsidiaries:

- on 4 March 2013, to the subsidiary Galeria Kwadrat with its registered office in Bydgoszcz, in the amount of PLN 1,254 thousand, The maturity date for the whole loan was set for 30 June 2020, interest payable on a quarterly basis.
- on 26 April 2013, to the subsidiary Forte Mobilier S.a.r.l. with its registered seat in Lyon in the amount of EUR 80 thousand. The maturity date for the whole loan was set for 30 June 2017, interest payable on a quarterly basis.
- on 11 December 2013, to the subsidiary Fort Baldai with its registered seat in Vilnius in the amount of EUR 25 thousand. The maturity date for the whole loan was set for 31 December 2018, interest payable on a quarterly basis.

The table below presents the balance of granted loans receivable at 31 December 2013.

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31 December 2013	Interest amount as at 31 December 2013
Subsidiaries:					
Kwadrat Sp. z o.o.	439	EUR	June 2018	1,517	6
Galeria Kwadrat Sp. z o.o.	1,254	PLN	June 2020	1,020	11
Forte SK S. r. o.	1,260	PLN	December 2015	383	2
Forte Mobila S.r.l.	330	EUR	September 2014	283	-
Forte Mobilier S.a.r.l.	80	EUR	June 2017	290	1
Forte Baldai UAB	25	EUR	December 2018	104	-
Total:				**3,597**	**20**
Including:					
Short-term portion:					
Kwadrat Sp. z o.o.				303	6
Galeria Kwadrat Sp. z o.o.				-	11
Forte SK S. r. o.	270				2
Forte Mobila S.r.l.	283				-
Forte Mobilier S.a.r.l.	83				1
Forte Baldai UAB	21				-
Total:	**960**				**20**
Long-term portion:					
Kwadrat Sp. z o.o.	1,214				-
Galeria Kwadrat Sp. z o.o.	1,020				-
Forte SK S. r. o.	113				-
Forte Mobila S.r.l.	-				-
Forte Mobilier S.a.r.l.	207				-
Forte Baldai UAB	83				-
Total:	**2,637**				**-**

8. Information concerning guarantees and sureties granted and received in the fiscal year.

On 27 March 2013, the Company issued four guarantees for loans taken out by FURNIREX Sp. z o.o. with its registered seat in Hajnówka to finance a technological investment to a total amount of PLN 18,299 thousand. FURNIREX Sp. z o.o. made an offer to the Parent Company, according to which it invested the funds received under the technological loans in modern investments located in a production area in Hajnówka leased from Forte. FURNIREX Sp. z o.o. uses modern technologies to provide services of processing entrusted material for FORTE and other furniture manufacturers.

Guarantees were made to BRE Bank S.A. (currently mBank S.A.) for the period to 30 June 2018.

As at 31 December 2013 the outstanding amount was PLN 6,319 thousand.

9. Description of the use of securities issue proceeds by the Issuer.

In the reporting period no securities were issued.

10. Differences between the financial results indicated in the annual report and earlier forecasts for the given year.

The Issuer did not publish financial result forecasts for 2013.

11. Assessment and its justification, concerning the management of financial resources.

Net Working Capital	2013	2012 *restated*
Current assets	294,442	227,956
Short-term liabilities	(95,206)	(89,814)
Net Working Capital	199,236	138,142
Ratio of net working capital (net working capital /total assets)	36.9%	29.2%

Debt analysis	2013	2012
Total liabilities	170,587	137,624
Total debt ratio (total debts/total liabilities)	31.6%	29.1%
Credit rating ((net profit + amortisation)/ total debts)	42.7%	34.2%

As at 31 December 2013, Fabryki Mebli "FORTE" S.A.'s long-term liabilities amounted to PLN 75,381 thousand and consisted mainly of liabilities from loans and borrowings (PLN 58,178 thousand), representing 77.2% of total long-term liabilities.

As at 31 December 2013, short-term liabilities amounted to PLN 95,206 thousand and consisted mainly of trade accounts payable (PLN 39,197 thousand), representing 41.2% of total short-term liabilities.

The Company has a low level of debt and good financial liquidity. There are no threats to the Company's ability to pay its incurred liabilities.

12. Assessment of ability to fulfil investment plans in comparison to the resources available

In 2013, the Issuer executed an investment plan in the amount of approx. PLN 17,000 thousand. The investments were financed from own resources. The Issuer's investment plan for 2014 amounts to approx. 40,000 thousand and assumes mainly investments in modern machinery and equipment to all the factories of the Company. Primary objectives of the investment are to improve productivity (cost reduction), increase diverse production capacity, increase production capabilities, restoration of a part of depreciated fixed assets.

The investments planned for 2014 will in their significant part be financed with resources from a five-year investment loan. Agreement for the said investment loan was concluded with PKO BP S.A. on 23 December 2013.

13. Information regarding financial instruments in respect of: risk: price change, credit risk, risk of significant disturbances to cash flows and risk of a loss of the financial liquidity.

Apart from derivatives, the Company's principal financial instruments comprise bank loans, finance leases with buy option, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations.

The Company also performs transactions involving derivatives, primarily *zero-cost option strategies* and foreign currency forward contracts. The purpose of these transactions is to manage currency risk arising in the course of business activity of the Company.

It is – and has been throughout the audited period – the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees on policies for managing each of these risks and they are summarised below. The Company also monitors the market price risk arising from all financial instruments held.

13.1. Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin. In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Company, i.e. loans and obligations under finance lease, their interest rate has been assumed to decline *per annum* for EURIBOR by 0.10 percentage point and increase *per annum* for WIBOR by 0.50% percentage point, as well as for LIBOR – by 0.05%.

The Company does not have any hedging instruments against interest rate risk as it does not perceive this risk to be major in terms of conducted business.

Interest rate risk — sensitivity analysis

The sensitivity of gross profit due to rationally feasible changes in the interest rate are described in item 36.1. of additional explanatory notes to the financial statements.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

13.2. Currency risk

The Company is exposed to currency risk which arises from sales and purchases made by the Company in currencies other than its functional currency. About 82% of the Company's sales transactions are denominated in foreign currencies, mainly in EUR.

The Company seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably possible fluctuations in the EUR, GBP and USD (in total) exchange rates are described in item 36.2. of additional explanatory notes to the financial statements.

Currency risk hedging

The basic method of managing the currency risk are hedging strategies which use derivative instruments. To hedge future foreign currency transactions, the Company uses symmetrical option strategies and forward contracts.

Impact of derivatives on the statement of financial position

As at 31 December 2013, the fair value of open items in derivatives amounted to PLN 9,318 thousand and was recognised in total as receivables from derivative financial instruments.

Impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2013, the result on derivatives amounted to PLN 3,409 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting.

Impact of derivatives on the result of the period

	01.01–31.12.2013	01.01–31.12.2012
Influence on sales revenue	2,857	-
Impact on revenue/ financial costs, of which:	552	-
- due to the execution of derivatives in the period	*500*	-
- due to the valuation of derivatives in the period	*52*	-
Proceeds from derivatives on the result of the period, in total:	**3,409**	-

Hedge accounting

The Company uses cash flow hedge accounting. According to the principles of such accounting, changes in fair value of hedging instruments are included in the effective part in the equity of the Company and in the ineffective part in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation day.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 28.3 of additional explanatory notes to the financial statements.

Fair value of foreign exchange contracts

Collective data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts is presented in item 36.2 of additional explanatory notes to the financial statements.

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

13.3. Credit risk

The Company operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the Company's policy that all customers who trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies. In the event of overdue receivables the sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial assets and derivative instruments with positive fair value, the Company's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk in the Company.

13.4. Liquidity risk

The Company is exposed to liquidity risk resulting from the relation of short-term liabilities to current assets. The lack of funds risk is monitored by the Company with the use of the periodical liquidity planning tool. This tool takes into account maturity dates both of investments and financial assets (e.g. receivables accounts, other financial assets) and forecast cash flows from operating activity.

The Company's objective is to maintain a balance between continuity and flexibility of funding through the use of various sources such as bank loans, and finance leases.

Detailed information on liquidity risk are described in item 36.4. of additional explanatory notes to the financial statements.

14. Assessment of factors which materially affected financial results for the financial period

Short description of the Company performance and basic financial parameters:

Description	2013	2012 *restated*	% Change
Sales revenue	666,554	559,624	19.1%
Cost of sales	(424,766)	(378,186)	12.3%
Gross profit from sales	241,788	181,438	33.3%
Gross return on sales %	36.3%	32.4%	
Operating profit (EBIT)	65,475	36,138	81.2%
EBITDA	81,784	51,397	59.1%
Gross profit	69,712	38,758	79.9%
Net profit	56,538	31,848	77.5%
Net return on sales %	8.5%	5.7%	
Return on equity (ROE)	15.3%	9.5%	
Return on assets (ROA)	10.5%	6.7%	

FORTE Management Board considers 2013 as a record year both in terms of the achieved level of sales and net profits earned.

In the opinion of the Management Board, it is the result of the effective implementation of a consistent policy of market penetration, product offer development and budgetary discipline in all business areas. The ability to adapt the product range and customer service to individual markets allows to achieve growth in a wide range of geographical locations. Higher levels of production lower operating costs, which in further calculations of new products allows us to be even more attractive from the point of view of our customers.

Revenues from sales denominated in PLN in 2013 amounted to PLN 666,554 thousand and compared to the same period last year increased by 19.1% (in terms of value by PLN 106,930 thousand).

The level of revenue was mainly influenced by the increase in sales volume, in particular on the German market, key for the operations of the Group, and on the Polish market, second largest market in terms of the size. Above-average sales growth can be observed in the newly-formed French market and the countries of southern Europe. Sales of assembled furniture is increasing according to the plan and it should be a significant driving growth factor in the German-speaking markets in the coming years. Current dynamics of orders indicates a high likelihood of continuation of the sales dynamics in the coming years.

Gross profitability on sales was 36.3% (against 32.4% in 2012).

The main reasons for the improvement in profitability are: positive impact of increased production scale on lower unit costs, stable situation on the basic raw materials prices market and good results of budget discipline.

Cost of sales the cost of sales to revenue ratio was 21.3% against 21.1% in the same period last year. In terms of value, cost of sales increased by PLN 23,757 thousand, which is directly related to the increase in sales. The main item in this group of costs is transportation costs, whose ratio in relation to sales revenue was the same as in the last year and amounted to 7%.

The Management Board of the Company recognises the potential arising from the optimisation of logistics costs. The Company carried out a series of activities to achieve better results in this area of activity.

General costs – the costs to revenue ratio was 4.1% (against 4.4% in the 2012).

In terms of value general costs increased by PLN 2,757 thousand. One of the reasons for the increase of general costs was an additional bonus payment for employees.

Other operating expenses at the end of 2013 amounted to PLN 9,679 thousand (compared to PLN 4,733 thousand in 2012)

The most important items in this group include the cost of liquidation and the allowance for damaged and incomplete inventories totalling PLN 4,971 thousand, as well as the establishment of an allowance for doubtful receivables in the amount of PLN 1,595 thousand.

Other operating revenues at the end of 2013 amounted to PLN 2,522 thousand (compared to PLN 2,074 thousand in 2012). Major items here include: compensation received – PLN 847 thousand, a grant for the organisation of trade fairs – PLN 468 thousand and inventory surplus – PLN 515 thousand.

Operating profit amounted to PLN 65,475 thousand. (9.8% of revenues), and was higher by as much as 81% than the operating profit earned in the same period of last year.

Financial revenues amounted to PLN 4,792 thousand (compared to PLN 4,026 thousand in 2012). Major items here are: dividends received – PLN 3,438 thousand, and interest received on bank deposits, bonds and granted loans – PLN 908 thousand.

Financial costs amounted to PLN 1,107 thousand (compared to 1,406 thousand in 2012), of which PLN 1,024 thousand was the interest on loans and leases.

In 2013, the Company generated a record **net profit** at the level of PLN 56,538 thousand (8.5% of revenues). In the same period of the previous year net profit amounted to PLN 31,848 thousand (5.7% of revenues).

15. Description of external and internal factors important for the development and development prospects.

2013 was extremely successful for Forte both in terms of market and financial aspects. With activities related to product development and expansion of the distribution network implemented in the past few years, the Company now offers its products in the largest furniture chains in western Europe. Comprehensive offer and services provide additional opportunities for expansion and increase of sales revenue in the coming years.

The Management Board believes that the capital expenditures planned for 2014 should bring further progress in terms of costs and contribute to the release of production capacity, which is extremely important when handling such a large number of different markets and increasing sales volumes.

Situation on the basic raw materials market is perceived as quite stable. Any increases in prices of raw materials will be important for the future profitability of the business, but the Management Board does not expect significant changes in this regard.

Exchange rate volatility remains fairly insignificant in terms of the Company's financial results due to the continued policy of hedging foreign exchange risk.

16. Changes in the methods of managing the Issuer's company and its capital group.

Did not occur.

17. All agreements concluded between the Issuer and the management staff.

The Company has entered into the following agreements with the management staff:

- agreement providing that in case of termination of service of the CEO, he/she will be entitled to severance pay equal to 24 monthly salaries calculated on the basis of the average monthly salary for the last twelve months of employment;
- agreement providing that in the case a member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount of 12 of their monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the member of the Management Board against the Company, serious and culpable violation by the member of the Management Board of the provisions in the field of securities trading, breach of essential contractual obligations, existence of a permanent impediment to the exercise by the member of the Management Board of their duties lasting longer than 3 months, unless the occurrence of permanent impediment is due to the contractual provision of services to the Company. The agreement also provides that the member of the Management Board may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement. In this case, the member of the Management Board will be entitled to compensation in the amount of 12 of his/her monthly salaries. Also in the case of non-appointment of the member of the Management Board for the 2014-2017 or the 2017-2020 term of the Management Board, the given member of the Management Board will be entitled to compensation in the amount of his/her 12 monthly salaries;
- agreement providing that in the case a member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount equal to the remuneration payable to the member of the Management Board until the end of the given term of office but not less than 6 of their monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the member of the Management Board against the Company, serious and culpable violation by the member of the Management Board of the provisions in the field of securities trading, breach of essential contractual obligations, existence of an impediment to the exercise by the member of the Management Board of their duties lasting longer than 3 months. The agreement also provides that the member of the Management Board may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement. In this case, the member of the Management Board will be entitled to compensation in the amount of 6 of his/her monthly salaries and 1% of margin I on turnover in Germany calculated on the basis of two finished calendar quarters in line with the rules applicable in the Company.

18. Employment, HR policy in Forte.

The structure of employment according to professions education, gender and the type of work performed

Employment structure	Status as at: 2013	2012
- as per education		
University degree	14%	13%
Secondary education	46%	45%
Vocational training	29%	32%

Primary education	11%	10%
- *as per gender*		
Women	26%	28%
Men	74%	72%
- *according to the type of work*		
Blue-collar workers	82%	79%
White-collar workers	18%	21%

As at the end of 2013, the Company was employing 2,432 people as compared to 1,997 people in 2012. The 22% increase in employment in comparison to the number as at the end of 2012 derived from greater sales and associated expansion of tasks in production and logistics areas.

The Company's employment structure in 2013 was dominated by manual labourers with secondary education, similarly to 2012. Men represented approx. 74% of human resources at Forte.

18.1. Development and training

Internal training schemes

Internal training schemes are an excellent opportunity to improve and harmonise the knowledge of our employees. Training workshops are conducted by internal experts being employees of the Company. Such meetings give the employees an opportunity to better understand the needs of the company, as well as to get to know their co-workers and tasks assigned to other organisational units.

English for children and staff

The Company continues its innovative educational project started in 2012 together with the AMF Foundation, intended for children of workers of the factory in Ostrów Mazowiecka, called Forte School of Languages [Szkoła Języków Forte]. It offers free classes of English and German for school-aged children.

January 2014 saw the launch of an educational project consisting of partly paid English lessons for factory workers.

18.2. Apprenticeship plans and practices.

The Management Board of Forte signed a cooperation agreement with the University of Life Sciences in Poznań and the Faculty of Wood Science and Technology, Warsaw University of Life Sciences, whose assumptions relate primarily to the implementation of joint projects that could bring new designs and technologies. The Company offers participation in professional internships for university students.

In order to actively participate in the professional training of teachers in the wood furniture industry, Fabryki Mebli Forte S.A., in collaboration with the REFA Wielkopolska Association, joined the project called "Poland is all about furniture" [Polska meblami stoi]. The aim of the project is to increase the knowledge and improve professional qualifications of teachers and instructors through professional training and contact with reputable companies operating in the furniture industry.

19. Amount of remuneration, rewards and benefits, including under incentive or bonus schemes based on the Issuer's capital.

Due to the fact that as at 31 December 2013 the non-market condition of net profit growth per share of the Parent Company, established on the basis of the consolidated annual financial statements of the Capital Group, has been met, the Company has adopted the number of 150,000 warrants as remaining to be executed on this day. Thus, the value of the total cost recognised in the reporting period ended 31 December 2013 amounted to PLN 222 thousand.

The table below presents the scope of the adopted incentive scheme for unrealised Series, in accordance with the agreed Rules of the Incentive Scheme.

	C series
Number of subscription warrants	150,000
Vesting period	1 January 2013 – 31 December 2013
Issue price of the Series G shares	PLN 11.52
Conditions for entitlement to acquire warrants	1/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2013 as compared to the average price of the Company's shares on the WSE in December 2012 2/ increase by at least 10% of net profit per Company's share as at 31 December 2013 as compared to the result as at 31 December 2012 3/ serving as a Member of the Management Board for at least six months in the given period and remaining at the position at the end of the given period, as well as obtaining acknowledgement of fulfilment of duties of the Member of the Management Board of the Company during the given period

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

	Series	**Number of warrants**	**weighted average execution price**
As at 31.12.2013	C	150,000	11.52
Granted in 2012		-	-

Redeemed/expired in 2012	B	150,000	11.52
Granted in 2011		-	-
Redeemed/expired in 2011	A	150,000	11.52

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Company

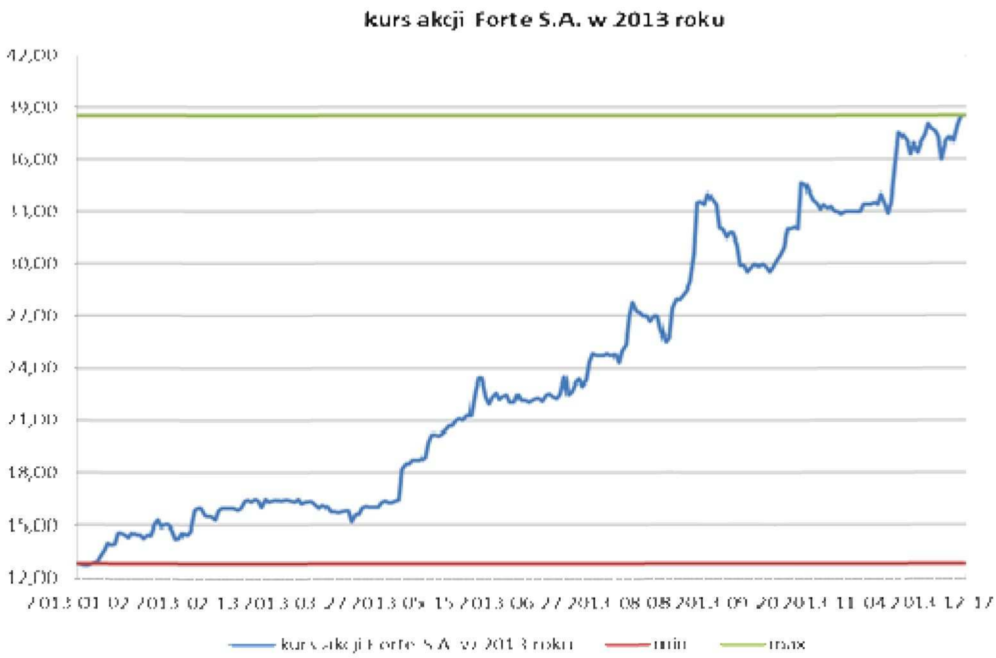
	Period of 12 months ended	
	31.12.2013	**31.12.2012**
Management Board's remuneration, including:	**7,433**	**6,519**
in the Issuer's enterprise	**6,800**	**5,809**
Maciej Formanowicz	1,471	1,548
Robert Rogowski	1,199	1,127
Gert Coopmann	2,484	1,994
Klaus Dieter Dahlem	1,646	1,140
for performing functions in the governing bodies of the subsidiaries	**633**	**710**
Maciej Formanowicz	557	603
Robert Rogowski	-	-
Gert Coopmann	76	107
Klaus Dieter Dahlem	-	-
Supervisory Board:	**216**	**216**
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	42	42
Tomasz Domagalski	42	42

20. Specification of the total number and face value of the Issuer's shares held by members of the management and supervisory bodies.

- Zbigniew Sebastian – Chairman of the Supervisory Board – 300 shares with a nominal value of PLN 1 each,
- Dariusz Bilwin — Registered Signatory — 1,500 shares with a nominal value of PLN 1 each.

21. Fabryki Mebli "Forte" S.A. share price performance

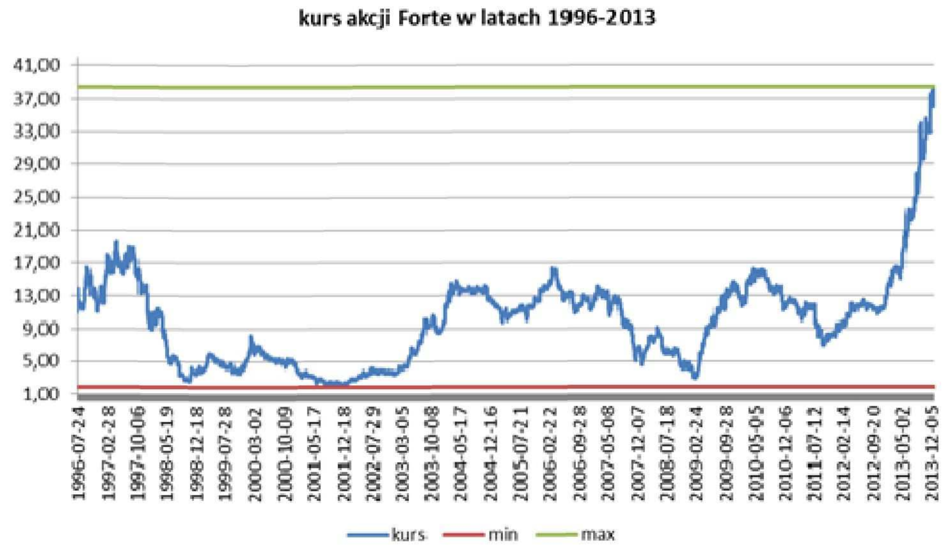
Shares of Fabryki Mebli "Forte" S.A. are listed on the Warsaw Stock Exchange in Warsaw in the continuous trading system.



kurs akcji	*share price*

Chart showing price of shares of Forte S.A. in 2013.

(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)



kurs akcji Forte w latach 1996-2013	Forte's share price in the period 1996–2013
kurs	quotation

Chart. Price of shares of Forte S.A. in the period 1996–2013
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

Key data on Forte shares:

Key data	**2013**	**2012** restated
Company's net profit in PLN '000	56,538	31,848
The highest share price in PLN	38.50	12.90
The lowest share price in PLN	12.65	8.71
Share price at the end of the year in PLN	38.50	12.90
P/E ratio as of the end of the year	16.17	9.60
Number of shares on the stock exchange (in items)	23,751,084	23,751,084
Average daily trading volume (in items)	36,479	10,239

22. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders.

The Issuer does not possess such information.

23. Information concerning control system of the employee share programme.

Did not occur.

24. Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds.

Did not occur.

25. Information on the contract with an entity authorised to audit financial statements.

In the reporting period and the comparative period, the Company entered into the following agreements with BDO Sp. z o.o. as an entity authorised to audit financial statements:

On 29 May 2013:

- The agreement regarding the audit of the interim separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2013. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 32 thousand net.
- The agreement regarding the audit of separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2013. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 56 thousand net.

On 2 July 2012:

- The agreement regarding the audit of the interim separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2012. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 30 thousand net.
- The agreement regarding the audit of separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2012. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 50 thousand net.

26. Structure of assets and liabilities

Liquidity and efficiency analysis	**2013**	**2012** restated
Current liquidity (current assets/ short-term liabilities)	3.09	2.54
Quick liquidity (current assets – inventories/ short-term liabilities)	1.90	1.43
Receivables rotation in days (average trade receivables * 365/ sales revenues)	44	52
Inventory turnover in days (average inventory * 365/ own cost of sales)	91	101
Liabilities rotation in days (average trade liabilities * 365/ own cost of sales)	31	32
Rotation of current assets in days (average current assets * 365 / sales revenues)	143	151

Characteristics of the balance sheet structure	**2013**		**2012** *restated*		**% Change**
	in PLN '000	% of the balance sheet total	in PLN '000	% of the balance sheet total	**2013/2012**
Non-current assets	245,283	45.4%	244,474	51.7%	0.3%
Current assets	294,442	54.6%	227,956	48.3%	29.2%
Total assets	**539,725**	**100%**	**472,430**	**100%**	**14.2%**
Equity	369,138	68.4%	334,806	70.9%	10.3%
Long-term liabilities and provisions	75,381	14.0%	47,810	10.1%	57.6%
Short-term liabilities and provisions	95,206	17.6%	89,814	19.0%	6.0%
Total equity and liabilities	**539,725**	**100%**	**472,430**	**100%**	**14.2%**

In 2013, the Company recorded an increase in **balance sheet total** by PLN 67,295 thousand.

Fixed assets remained at a similar level to the previous year. The level of investment only slightly exceeded the level of annual depreciation.

The increase in **current assets** by PLN 66,486 thousand is mainly due to the increase in cash (PLN 42,703 thousand), inventories (PLN 13,968 thousand) and receivables (PLN 9,471 thousand).

The increase in **trade receivables and other receivables** is the consequence of increase in sales, whereas increase in **inventories** derives from the need of maintaining a security buffer in connection with increased production and timely shipments. The increased cash balance is the result of balance sheet items hedging – released funds in EUR from currency loans are invested after their exchange into PLN. The balance of interest received and paid is positive.

On the side of **liabilities** there have been increases of liabilities connected with: bank loans (by PLN 7,913 thousand), trade and other payables (by 12,100 thousand), income tax (by PLN 10,532 thousand) and provisions and accruals (by PLN 3,473 thousand).

The increase in **bank loans** balance arises from the Company's foreign exchange risk management policy described above.

Increase in the balance of **trade liabilities** is the consequence of increased production. The Company timely performs all of its obligations.

The increase in income tax liability arises from the increase in taxable profit and the fact that the Company settles income tax in a simplified form (monthly advances were calculated based on taxable profit for the year 2011).

The Company maintains very high financial liquidity. The closing balance of **cash** at the end of the reporting period was PLN 69,277 thousand, which is an increase of PLN 42,703 thousand as compared to the end of 2012 despite allocation of significant sums for dividend payment for the year 2012.

27. Major events which influenced the activity and financial results of the Issuer in the financial year and after the end of the year, and those whose influence may be apparent in the forthcoming years.

In 2013, the Company continued to implement a number of projects in various areas of operations – from sales and its support, further modernisation of factories, development of IT systems and QA systems.

Looking for a source of greater goodwill in higher income and profitability, the Company focuses on key aspects of its development – seeking market opportunities for additional sales while reducing the costs of operations.

Among the most important events of 2013, the Company may include:

- introduction of a record number of new products,
- introduction of a domestic partnership plan FORTE PLUS, as a new concept and quality of presentation of its offer,
- participation in numerous marketing activities, including television advertising in "Our New Home" programme,
- increase of IT security, SAP operating system upgrade,
- obtaining the FSC Chain of Custody accreditation,
- continuation of manufacturing processes optimisation, including by development of investments allowing for the increase of production capacity and reduction of costs in subsequent years.

28. Description of the structure of major capital investments made within the given financial year.

The description is contained in item 5 of these Statements.

29. Description of off-balance sheet items by counterparty, object and value.

Did not occur.

30. Selected financial data converted on the basis of the following exchange rates.

- Individual items of assets and liabilities as at 31 December 2013 were converted by the average exchange rate of EUR 1 dated 31.12.2013 (1 EUR = PLN 4.1472). Particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month (average per 1 EUR in 2013 = PLN 4.2110).
- Individual items of assets and liabilities as at 31 December 2012 were converted by the average exchange rate of EUR 1 dated 31.12.2012 (1 EUR = PLN 4.0882). Particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month (average per 1 EUR in 2012 = 4.1736).

31. Statement of the Management Board concerning the entity authorised to audit financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that the entity authorised to audit the financial statements reviewing the annual financial statements of the Issuer was selected in accordance with the provisions of law and meets the conditions required to issue unbiased and independent audit reports, in line with the regulations in force and professional standards.

32. Statement of the Management Board regarding the reliability of the financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that, to the best of their knowledge, the annual financial statements of the Issuer for 2013 and comparative data were prepared in accordance with the binding accounting principles and truly, accurately and clearly reflect the actual and financial situation and the financial result of the Issuer. Moreover, the Management Board represents that the annual Management Board's report on the operations contains a true description of the development and achievements as well as the condition of the Issuer, including basic risks and threats.

President of the Management Board **Maciej Formanowicz**	**Member of the Management Board** **Mariusz Gazda**
....	....
Member of the Management Board **Klaus Dieter Dahlem**	**Member of the Management Board** **Gert Coopmann**
....	....

Ostrów Mazowiecka, 21 March 2014

I. CORPORATE GOVERNANCE

In accordance with § 29(5) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] (hereinafter: "Exchange" or the "WSE") on the basis of Regulation No 1013/2007 of 11 December 2007 of the Exchange Management Board and in accordance with § 91(5)(4) of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws No 33, item 259, as amended), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (hereinafter: the "Company" of "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2013, included in the document "Code of Best Practice for WSE Listed Companies".

33. Set of corporate governance principles observed by the Issuer and the place where their content is available for the public, and provisions waived by the Issuer with the explanation of the reasons for the waiver.

The Management Board of the Company represents that in 2013 the Company observed corporate governance principles included in the document "Code of Best Practice for WSE Listed Companies" constituting an appendix to Resolution No 12/1170/2007 of the Exchange Supervisory Board of 4 July 2007 amended by Resolution No 17/1249/2010 of 19 May 2010, Resolution No 20/1287/2011 of 19 October 2011 and Resolution No 19/1304/2012 of 21 November 2012, which is available to the public on the following website: http://www.corp-gov.gpw.pl/publications.asp, with the exception of the corporate governance principles listed below:

Part I principle No 5

"The company should have a remuneration policy in place, as well as rules for defining the policy. The remuneration policy should in particular define the form, structure and level of remuneration of members of supervisory and management bodies. In determining the remuneration policy for members of supervisory and management bodies, the European Commission Recommendation of 14 December 2004 should apply, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC)."

The Company does not apply the above-mentioned principle in the part regarding the remuneration policy and the rules of its defining in relation to supervisory and management bodies. The Company applies Remuneration Regulations determining the principles of remuneration and granting cash benefits to the employees of FORTE. In accordance with the valid provisions of law and the Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for Members of the Supervisory Board are determined by the General Meeting, and the decision on the amount of remuneration for the Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Company's bodies and other benefits granted to these individuals during a given financial year are presented in the annual financial statements of the Company.

Part I principle No 9

"The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in the management and supervisory functions in their enterprises, thus reinforcing the creativity and innovation of the companies' economic activity."

The Company pursues a policy of appointing competent, creative persons with adequate education and working experience as members of supervisory and management bodies. Other factors, including gender, may not be a factor in the above-mentioned scope. FORTE does not consider it legitimate to introduce regulations based on predetermined parity with regards to gender, and the decisions regarding the choice of individuals supervising and managing the Company are made by the Company's eligible bodies.

Part I principle No 12

"The Company should enable its shareholders to exercise the voting rights during general meeting either in person or by proxy, outside the venue of the general meeting, with the use of electronic means of communication."

According to the Company, the manner of holding previous General Meetings adequately enables shareholders to participate in the General Meeting and to exercise their rights in this scope. Taking into consideration the costs related to ensuring the participation of shareholders in the General Meeting with the use of means of electronic communication as well as the risks and scarce experience of the market in the scope, the Company decided in 2013 not to enable its shareholders to participate in the general meeting with the use of electronic means of communication. As the use of modern technology becomes more widespread and adequate safety level of their application is ensured, the Company will consider applying this principle in practice.

Part II principle No 1 item 9a

"The Company operates a corporate website and, apart from information required by law, places on it (...) the record of the proceedings of the general meeting, in the form of audio or video."

According to the Management Board, the history of the previous General Meetings of FABRYKI MEBLI "FORTE" S.A. does not require making and placing on the website of the record in the form of audio or video. The General Meetings take place in the registered seat of the Company, and therefore participation in them is not hindered in any manner for Shareholders interested in the proceedings. Moreover, in accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings. Such principles guarantee transparency of the proceedings of the General Meetings, and will ensure their full and actual record. The Company does not exclude the possibility of applying the above-mentioned principle in the future.

Part II principle No 2

"The Company ensures operation of its website in English, at least in the scope indicated in part II item 1."

The above-mentioned principle is applied in the Company in part. The Company places on its website the main information regarding the Company and its offer in English, German and Russian. Although it does not include all the information enumerated in part II principle No 1, the Company does not consider it justified to present them in such scope. Due to the current structure of shareholders and the scope of activities of the Company, the Company's Management Board does not consider it justified to bear additional costs related to the strict implementation of the said principle.

Part IV principle No 10

"The Company should enable its shareholders to participate in the General Meeting using electronic means of communication in the following manner:

1) real-time transmission of the general meeting,

2) real-time bilateral communication where shareholders may take the floor during the general meeting from a location other than the location of the general meeting."

In accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings.

Taking into consideration the lack of a developed market practice, organising the General Meeting with the use of electronic means of communication bears significant risks of both legal and technical nature. The applicable provisions of law do not determine the status of a shareholder participating in the General Meeting with the use of electronic means of communication, despite not taking part in the voting, which gives rise to additional doubts and may expose both the Company and the shareholders to unnecessary legal risk.

34. Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Company's Management Board is responsible for the Company's bookkeeping in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended) and for the internal control system and its efficiency in the process of preparing financial statements.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Company's finances.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

The Company possesses relevant procedures for preparing financial statements which payment ensuring the complete and correct recognition of all business transactions in a given scope. These procedures include in particular:

- adequate internal communication in the scope of preparing the process of preparing financial statements,
- detailed planning of all activities related to the preparation of the financial statements and determining a detailed activity scheduled together with assigning responsibility of individual persons for given actions.

The monitoring of the completeness of economic events is additionally supported by the V-desk electronic document circulation system. This system records in particular all incoming invoices, as well as all agreements concluded by the Issuer. Access to electronic circulation of documents is grounded in the scope of their competence to authorised Company staff.

The V-desk system covers the registration, factual description, boasting and acceptance of invoices – in accordance with competences assigned by the Management Board.

Accepted invoices are imported to the SAP R3 operating system after prior verification of the correctness of accounting descriptions by the Accounting Office employees.

Each month after closing the accounting books, Members of the Management Board and senior executives receive reports with information which allows to analyse key financial data and operational indicators. Meetings of the Management Board with senior executives are held cyclically in order to discuss the situation of the Company divided into individual departments and areas of activity.

FABRYKI MEBLI "FORTE" S.A. keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Company approved by the Management Board, based on the International Accounting Standards.

The structure of the system ensures clear division of competences, consistency of accounting entries and control between the general ledger and sub-ledgers. High flexibility of the system allows for its ongoing adjustment to the changing accounting principles and other legal regulations.

Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The company manages risk in relation to the process of preparing financial statements also through current monitoring of changes in external provisions and regulations regarding reporting requirements and through preparing for their implementation significantly in advance.

A certified auditor is appointed by the Supervisory Board after consulting the Company's Management Board. Annual and semi-annual financial statements are subject to independent audit and review by the Company's auditor. The results of the audit are presented by the auditor to the management of the Company at closing meetings.

35. Shareholders holding directly or indirectly significant stakes of shares.

In accordance with the most current information as held by the Company, the shareholding structure as at 31 December 2013 was as follows:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm Holding AG	7,013,889	29.53%	29.53%
2.	Amplico Otwarty Fundusz Emerytalny	4,213,495	17.74%	17.74%
3.	ING Otwarty Fundusz Emerytalny	1,500,000	6.32%	6.32%
4.	Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%	5.08%

36. Holders of any securities which provide special control rights.

The Company did not issue securities which provide special control rights.

37. Restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or amount of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.

The Company does not provide for any restrictions regarding exercising the right to vote.

38. Limitations in transferring the ownership right to the Issuer's securities

There are no limitations in transferring the ownership right to the Company's securities.

39. Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular the right to decide on the issuance or redemption of shares.

In accordance with the Company's Articles of Association, the Management Board consists of between one and five members appointed for a joint term of office. The number of the Management Board Members is determined by the Supervisory Board, which also appoints the President of the Management Board and other Members of the Management Board. The Management Board is appointed for a joint three-year term of office. In accordance with the Code of Commercial Companies, Members of the Management Board may be dismissed by the Supervisory Board at any moment. The Supervisory Board determines the terms and conditions of remunerating Members of that Management Board, including the provisions of agreements and appointment letters binding Members of the Management Board with the Company. In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies.

The powers of the Management Board of the Company related to the right to decide on redeeming shares do not deviate from the regulations contained in the Code of Commercial Companies.

40. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer.

Articles of Association of the Company are amended in accordance with mandatory provisions of the Code of Commercial Companies, i.e. Art. 430 et seq., by way of a resolution of the General Meeting of the Company.

The General Meeting of the Company may authorise the Supervisory Board to establish the consolidated text of the amended Articles of Association of the Company.

The Company's Management Board, acting in accordance with the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, item 133), informs shareholders of planned amendments to the Articles of Association of the Company made and of the preparation of the consolidated text of the Articles of Association which takes into consideration the amendments made, by publishing current reports and placing the current Articles of Association on the Company's website.

41. The manner of functioning of the general meeting and its principle powers and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the general meeting, if such regulations have been adopted and are not a direct result of the existing law.

The manner of functioning of the General Meeting of Fabryki Mebli "FORTE" S.A. and its powers as well as the rights of shareholders and the manner of their execution are determined by the following documents:

1. the Commercial Companies Code,
2. the Company's Articles of Association,
3. Regulations of General Meetings.

The schedule of works regarding organising General Meetings is planned in such a way as to duly perform obligations towards shareholders and allow them to execute their rights.

On 28 May 2013, the General Meeting was convened by the Company's Management Board through a notice published on the Company's website at least 26 days prior to the date of the General Meeting, and in a manner specified for transmitting current information according to the provisions on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies. Resolutions adopted by the General Meeting were published on the Company's website.

Resolutions of the General Meeting are adopted by a simple majority of the votes cast, unless the provisions of law or the Company's Articles of Association provide otherwise. Votes in favour or against a resolution are considered votes cast.

The following matters were reserved in the Articles of Association to the exclusive decision of the General Meeting:

- terms and conditions and manner of redeeming shares of the Company,
- terms and conditions of issuing utility certificates in exchange for redeemed shares,
- creating reserve capital and earmarked funds,
- allocating reserve capital,
- allocating pure profit earned by the Company.

A resolution of the General Meeting is not required for the purchase and sale of real property, perpetual usufruct, and a share in real property (decisions on such matters are reserved for the Company's Supervisory Board).

Representatives of the media may be present during the General Meeting.

The participants of the Annual General Meeting of the Company always include Members of the Management Board and the Supervisory Board and the Company's certified auditor.

The course of the Annual General Meeting was compliant with the provisions of the Code of Commercial Companies and the Company's Regulations of General Meetings. Members of the Management Board, Supervisory Board and the certified auditor of the Company present during the Meeting, were ready to give any explanations and respond to the shareholders' questions in the scope of their competencies in accordance with the binding provisions of law.

Shareholders can participate in the General Meeting and exercise the voting right in person or through a proxy.

42. Composition of issuer's managing, supervising and administering bodies, changes they underwent during the last financial year and description of their activities.

SUPERVISORY BOARD

The Company's Supervisory Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting. From among its members, the Supervisory Board appoints the Vice Chairman and secretary, if necessary. If the number of members of the Supervisory Board falls below the minimum number set out in the Code of Commercial Companies, the General Meeting supplements /appoints/ the Supervisory Board for the remaining part of the term of office.

The term of office of the Supervisory Board is four years. In accordance with resolution No 25/2011 adopted on 22 June 2011, the Annual General Meeting of Fabryki Mebli "FORTE" S.A. established a five-person Supervisory Board of the Company in the current term of office.

In 2013, the Supervisory Board of Fabryki Mebli "FORTE" S.A. was composed of:

- Zbigniew Sebastian – Chairman,
- Władysław Frasyniuk – Vice Chairman,
- Tomasz Domagalski,
- Stanisław Krauz,
- Marek Rocki.

The exclusive competence of the Supervisory Board includes in particular adopting resolutions on matters regarding:

1. purchasing and selling real property, perpetual usufruct or a share in real property, selling and transferring rights to use real property, encumbrance on real property, establishing limited property rights on the property of the Company,
2. taking out loans exceeding the Company's financial plan,
3. granting sureties to the amount exceeding in total the equivalent of EUR 150,000,
4. taking over the obligations of third parties,
5. accepting and establishing pledges and other securities, except for a pledge and securities related to the ordinary business of the Company in the amount not exceeding in total the equivalent of EUR 150,000,
6. concluding, terminating and amending lease agreements and other such agreements, if they are concluded for a period longer than three years and when the annual lease rent paid by the Company exceeds the equivalent of EUR 150,000,
7. leasing the enterprise or its part,
8. purchasing and selling establishments and branches of the Company,
9. selling the Company's enterprise or its part,
10. approving employee participation in profits and granting special pension rights,
11. establishing the annual plan for the enterprise (in particular investment in financial plans), as well as strategic plans,
12. granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of EUR 50,000.

Meetings of the Supervisory Board are held when necessary, but at least three times in a financial year.

The Members of the Supervisory Board may cast their vote in writing via another Member of the Supervisory Board. The Supervisory Board may also adopt resolutions in writing or through direct remote communication means. A resolution is valid if all Members of the Supervisory Board have been notified of the content of the draft resolution.

Taking into consideration the fact that in the current term of office the Supervisory Board is composed of five persons, the functions of the Audit Committee are performed by the whole Supervisory Board.

No other committees were established in the Company.

MANAGEMENT BOARD

The Company's Management Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. The Management Board consists of between one and five members appointed for a joint term of office. The Management Board of Fabryki Mebli "FORTE" S.A. was appointed for a three-year term of office, for the years 2011–2014 and in the period from 1 January to 31 December 2013 it was composed of four persons, i.e. the President, the Vice President and two other Members of the Management Board. In 2013, the Management Board was composed of:

Maciej Formanowicz – President of the Management Board,

Robert Rogowski – Vice President of the Management Board,

Gert Coopmann – Member of the Management Board,

Klaus Dieter Dahlem – Member of the Management Board.

In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies. Resolutions of the Management Board are adopted by a simple majority of votes cast. In the event of equal split of votes, the Management Board President's vote prevails.

The following persons are authorised to make declarations of will and contract obligations on behalf of the Company: the President of the Management Board acting independently, two Members of the Management Board acting jointly, one Member of the Management Board acting jointly with a registered signatory.

President of the Management Board
Maciej Formanowicz

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Member of the Management Board
Mariusz Gazda

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Member of the Management Board
Klaus Dieter Dahlem

....

Member of the Management Board
Gert Coopmann

....

Ostrów Mazowiecka, 21 March 2014