



FABRYKI MEBLI "FORTE"S.A. CAPITAL GROUP

Consolidated financial statements for the period ended 31 December 2014

Statements prepared in accordance with the International Financial Reporting Standards

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



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THE GROUP where the holding company is FABRYKI MEBLI FORTE S.A. ul. Biała 1 07-300 Ostrów Mazowiecka

Audit Opinion and Report on the consolidated financial statements for the financial year ended 31 December 2014

This document is a translation.

The Polish original should be referred to in matters of interpretation.

BDO Sp. z o.o. Sąd Rejonowy dla M. St. Warszawy, XIII Wydział Gospodarczy KRS: 0000293339, Kapitał zakładowy: 1.000.000 PLN., NIP 108-000-42-12. Biura regionalne BDO: Katowice 40-004, al. Korfantego 2, tel: +48 32 359 50 00, katowice@bdo.pl; Kraków 30-415, ul. Wadowicka 8a, tel: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, tel: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel: +48 71 734 28 00, wrocław@bdo.pl



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AUDIT OPINION for the General Meeting and Supervisory Board of Fabryki Mebli FORTE S.A.

We have audited the accompanying financial statements of the Fabryki Mebli FORTE Group ("the Group"), where the holding company is Fabryki Mebli Forte S.A. ("the Holding Company") with its registered office in Ostrów Mazowiecka at ul. Biała 1, consisting of:

- the consolidated statement of financial position prepared as at 31 December 2014,
- the consolidated profit and loss account for the financial year ended 31 December 2014,
- the consolidated statement of comprehensive income for the financial year ended
 31 December 2014,
- the statement of changes in consolidated shareholders' equity for the financial year ended
 31 December 2014,
- the consolidated statement of cash flows for the financial year ended 31 December 2014,
- additional information on accounting methods and other information.

The Holding Company's Management Board is responsible for the preparation in accordance with binding regulations of the consolidated financial statements and the Directors' Report on the Group's activities.

The Holding Company's Management Board and members of its Supervisory Board are responsible for ensuring that the consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act of 29 September 1994 (2013 Journal of Laws, item 330 with subsequent amendments), hereinafter referred to as "the Accounting Act".

Our responsibility was to audit the consolidated financial statements and to express an opinion on the consistency of these consolidated financial statements with the Group's accounting policies, on whether the consolidated financial statements give a true and fair view, in all material respects, of the Group's financial result and financial position, as well as on the accuracy of the books of account constituting the basis for their preparation.

We performed the audit of the consolidated financial statements in accordance with:

1/ Chapter 7 of the Accounting Act,

2/ the auditing standards issued by the National Council of Certified Auditors in Poland.

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We planned and performed the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by the managements of the Holding Company and the subsidiaries, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that our audit provided a reasonable basis for our opinion.

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

- a) give a true and fair view of the financial position of the Fabryki Mebli FORTE Group as at 31 December 2014, as well as of its financial result for the financial year ended 31 December 2014,
- b) have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union,
- c) are consistent with the laws and regulations that affect the consolidated financial statements and are applicable to the Group.

The Directors Report on the Group's activities in the financial year ended 31 December 2014 includes all information required by Article 49 par. 2 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state, and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 17 March 2015

BDO Sp. z o.o. ul. Postępu 12 02-676 Warszawa

Authorized Audit Company No. 3355

Auditor in charge:

Artur Staniszewski

Certified Auditor No. 9841

On behalf of BDO Sp. z o.o.:

Dr. André Helin

Managing Partner

Certified Auditor No. 90004

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Audit Report on the consolidated financial statements of the GROUP where the holding company is FABRYKI MEBLI FORTE S.A. for the financial year ended 31 December 2014

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BDO Sp. z o.o. Sąd Rejonowy dla M. St. Warszawy, XIII Wydział Gospodarczy KRS: 0000293339, Kapitał zakładowy: 1.000.000 PLN., NIP 108-000-42-12. Biura regionalne BDO: Katowice 40-004, al. Korfantego 2, tel: +48 32 359 50 00, katowice@bdo.pl; Kraków 30-415, ul. Wadowicka 8a, tel: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, tel: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel: +48 71 734 28 00, wrocław@bdo.pl

I. GENERAL INFORMATION

1. Information about the Holding Company

The holding company of the Fabryki Mebli FORTE Group is Fabryki Mebli Forte Spółka Akcyjna [joint-stock company] ("the Holding Company", "the Company").

The Holding Company's registered office is ul. Biała 1, 07-300 Ostrów Mazowiecka.

In accordance with the entry in the National Court Register and the Company's Statute, the Holding Company's activities consist of the production and retail sale of furniture, mattresses and wood products.

The Holding Company operates on the basis of:

- the Company's Statute prepared in the form of a notarial deed on 22 November 1994 (Rep. A No. 4358/94) with subsequent amendments,
- the Code of Commercial Partnerships and Companies.

On 23 June 2001 the Company was entered in the National Court Register at the Regional Court for the Capital City of Warsaw, XIV Business Division of the National Court Register, in number KRS 21840.

The Company has been assigned tax identification number NIP: 759-000-50-82, as well as statistical identification number REGON: 550398784.

As at 31 December 2014 the Holding Company's share capital amounted to 23 751 084 zl and consisted of 23 751 084 shares with a nominal value of 1 zl per share.

No changes were made in the Company's share capital in the year 2014 or before the end of the audit.

The Company's shareholders as at 31 December 2014, according to the information provided by the Management Board:

Shareholder	Number of shares	% of votes at General Meeting
MaForm SARL	7 763 889	32,69%
MetLife Open Pension Fund (MetLife OFE)	2 975 474	12,53%
Aviva Open Pension Fund Aviva BZ WBK	1 324 480	5,58%
ING Open Pension Fund	1 200 000	5,05%

As at 31 December 2014 the Holding Company's equity totaled 405 015 thousand zl.

The function of group manager is exercised by the Holding Company's Management Board.

As at 31 December 2014 the Holding Company's Management Board comprised:

Maciej Formanowicz
 Klaus Dieter Dahlem
 Gert Coopmann
 Mariusz Jacek Gazda
 Maria Małgorzata Florczuk
 Rafał Prendke
 President of the Management Board
 Member of the Management Board

The following changes were made in the Company's Management Board in the audited period and before the end of the audit:

- on 10 January 2014 the Company received the resignation of Mr. Robert Sławomir Rogowski from the position of Member of the Management Board - Vice-President of the Management Board,
- on 10 January 2014 the Supervisory Board passed Resolution No. 1/2014 appointing Mr. Mariusz
 Jacek Gazda to the position of Member of the Management Board effective 1 March 2014,
- on 7 May 2014 the Supervisory Board passed Resolution No. 10/2014 appointing Ms. Malgorzata Florczuk to the position of Member of the Management Board,
- on 28 July 2014 the Supervisory Board passed Resolution No. 23/2014 appointing Mr. Rafal Prendke to the position of Member of the Management Board effective 1 August 2014,
- on 2 February 2015 the Company received the resignation of Mr. Rafal Prendke from the position of Member of the Management Board effective 4 February 2015.

2. Composition of the Group

The separate financial statements of the Holding Company for the financial year ended 31 December 2014 have been audited by BDO Sp. z o.o. and given an unqualified opinion.

As at 31 December 2014 the Fabryki Mebli FORTE Group comprised the following (direct and indirect) subsidiaries:

Company name	Auditor	Audit opinion	Consolidation method
MV Forte GmbH	Hans - Peter Anfang vereidigter Buchprufer	Unqualified	Acquisition accounting
Forte Möbel AG	Brag Buchhaltungs und Revisions AG	Unqualified	Acquisition accounting
Kwadrat Sp. z o.o.	Not audited	Not audited	Acquisition accounting
Galeria Kwadrat Sp. z o.o.*	Not audited	Not audited	Acquisition accounting
TM Handel Sp. z o.o. S.K.A.	Not audited	Not audited	Acquisition accounting
Fort Investment Sp. z o.o.**	Not audited	Not audited	Acquisition accounting

^{*} indirectly related company - 100% subsidiary of Kwadrat Sp. z o.o.

All of the consolidated entities had the same balance sheet date as the Holding Company.

^{**} indirectly related company - 100% subsidiary of TM Handel Sp. z o.o. SKA

3. Information about the authorized audit company and the auditor in charge

The consolidated financial statements of the Fabryki Mebli FORTE Group for the year 2014 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor starting from the year 2012 was selected by the Holding Company's Supervisory Board in Resolution No. 14/2012 of 29 June 2012.

The audit was conducted based on an audit agreement signed on 15 May 2014, and performed under the direction of Artur Staniszewski, Certified Auditor No. 9841. The audit was performed from 2 February 2015, intermittently until the issue of the audit opinion. It was preceded with a review of the consolidated financial statements for the first half of 2014.

We hereby declare that BDO Sp. z o.o., its management, the certified auditor and team performing the audit of the above-described financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements - as provided for in Article 56 par. 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2009 Journal of Laws No. 77, item 649 with subsequent amendments).

The Holding Company's Management submitted all of the declarations, explanations and information requested by the auditor and necessary to perform the audit.

No limitations had been placed on the scope of the audit or on the methods selected by the auditor to perform the audit.

Information about the consolidated financial statements for the previous financial year

The Group's consolidated financial statements for the period from 1 January to 31 December 2013 had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The Group's consolidated financial statements for the period from 1 January to 31 December 2013 were approved in Resolution No. 16/2014 passed by the General Shareholders Meeting of 10 June 2014.

The Group's consolidated financial statements for the year 2013 were filed with the National Court Register on 16 June 2014.

II. FINANCIAL ANALYSIS

Presented below are selected items from the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, as well as key financial ratios, compared to analogical amounts for the previous years.

Main items from consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income (in '000 zł)

	31.12.2014	% of balance sheet total	31.12.2013	% of balance sheet total	31.12.2012	% of balance sheet total
Non-current assets	282 107	44,2	254 070	45,8	252 922	52,2
Current assets	356 623	55,8	300 784	54,2	231 205	47,8
Total assets	638 730	100,0 =	554 854	100,0	484 127	100,0
Total equity	421 284	66,0	384 607	69,3	348 883	72,1
Total liabilities	217 446	34,0	170 247	30,7	135 244	27,9
Total liabilities and equity	638 730	100,0	554 854	100,0	484 127	100,0
	1.01.2014- 31.12.2014	of revenue	1.01.2013- 31.12.2013	% of revenue	1.01.2012- 31.12.2012	% of revenue
Sales revenue	822 414	100,0	666 365	100,0	560 531	100,0
Cost of goods sold	(524 263)	(63,7)	(424 924)	(63,8)	(378 718)	(67,6)
Gross sales profit/loss	298 151	36,3	241 441	36,2	181 813	32,4
Sales costs	(166 673)	(20,3)	(133 919)	(20,1)	(112 030)	(20,0)
General administrative costs	(34 716)	(4,2)	(28 167)	(4,2)	(25 746)	(4,6)
Sales profit/loss Profit/loss on other operating	96 762	11,8	79 355	11,9	44 037	7,9
activities	(3 158)	(0,4)	(6 934)	(1,0)	(2 337)	(0,4)
Profit/loss on financial activities	1 319	0,1	726	0,1	(31)	(0,0)
Gross profit/loss	94 923	11,5	73 147	11,0	41 669	7,4
Income tax	(19 771)	(2,4)	(15 227)	(2,3)	6 635	1,2
Net profit/loss	75 152	9,1	57 920	8,7	35 034	6,3
Total comprehensive income	72 304	8,8	58 290	8,7	52 447	9,4

2. Key financial ratios

	2014	2013	2012
Profitability ratios			
Gross sales profitability	11,8%	11,9%	7,9%
Net sales profitability	9,1%	8,7%	6,3%
Return on assets	11,8%	10,4%	7,2%
Return on equity	17,8%	15,1%	10,0%
Liquidity ratios			
Current ratio	3,2	3,2	2,7
Quick ratio	1,8	2,0	1,5
Operating ratios			
Receivable days	43	43	51
Inventory days	90	90	100
Debt ratios			
Payable days	28	28	28
Debt rate	0,3	0,3	0,3

3. Remarks

- Non-current assets account for 44,2% of total assets at the end of the audited period, after having declined from 45,8% at the end of 2013.
- Current assets have grown by 18,6% in the audited period from the previous year, and have remained at 55,8% of total assets.
- Although it has grown by 9,5% in the audited period compared to the previous year, equity accounts for 66,0% of the balance sheet total at the end of 2014 compared to 69,3% last year.
- Sales revenue and the cost of goods sold have gone up by 23,4% from the year 2013, as a result
 of which the Group's gross sales profit amounted to 298 151 thousand zl and was by 23,5% higher
 than the year before.
- The percentage of sales costs and general administrative costs in sales revenue has remained similar to last year's.
- The rise in the results on other operating activities and financial activities has translated into an increase in net financial result by 29,8% compared to the year 2013.
- Net sales profitability has grown from 8,7% last year to 9,1% in the audited period.
- The return on assets ratio has increased from 10,4% in the previous year to 11,8% in the audited period.
- The return on equity ratio has grown from 15,1% last year to 17,8% in 2014.
- The current ratio has remained unchanged at 3,2. The quick ratio has gone down from 2,0 in 2013 to 1,8 in the audited period.
- The inventory days, receivable days and payable days ratios have remained unchanged from last year at 90 days, 43 days and 28 days, respectively.

In the course of the audit of the financial statements we found no indications that as a result of discontinuing or significantly limiting its operations the Holding Company will not be able to continue as a going concern in at least the next reporting period.

III. DETAILED INFORMATION

1. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Fabryki Mebli FORTE Group have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

2. Completeness and correctness of consolidation documentation

The Group's consolidation documentation has been prepared in accordance with the requirements of the Minister's of Finance Decree on 25 September 2009 on the detailed methods used by entities other than banks, insurers and re-insurers to prepare the consolidated financial statements of groups (2009 Journal of Laws No. 169, item 1327)).

In the course of the audit we found no un-remedied misstatements in the consolidation documentation with a significant effect on the audited consolidated financial statements, including with regard to the fulfilment of the requirements that consolidation documentation should comply with.

3. Methods used to value assets, liabilities and equity

The entities covered by the Group's consolidated financial statements apply consistent accounting principles and methods in the valuation of their assets and liabilities items.

4. Information about consolidated financial statements items

The structure of the Group's assets, liabilities and equity has been presented in the consolidated financial statements for the financial year ended 31 December 2014.

The data disclosed in the Group's consolidated financial statements are consistent with the consolidation documentation.

5. Additional information

The information presented in the introduction and notes to the consolidated financial statements, containing a description of significant accounting methods and other information, has been presented completely and correctly in all material respects.

6. Management's Declaration

The Holding Company's Management submitted a written declaration about the completeness of the books of account, disclosure of all contingent liabilities and absence of any significant post-balance sheet events.

3DO Sp. z o.o. 7

7. Directors' Report

The Directors Report on the Group's activities in the financial year ended 31 December 2014 includes all information required by Article 49 par. 2 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state, and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 17 March 2015

BDO Sp. z o.o. ul. Postępu 12 02-676 Warszawa

Authorized Audit Company No. 3355

Auditor in charge:

On behalf of BDO Sp. z o.o.:

Artur Staniszewski Certified Auditor No. 9841 Dr. André Helin Managing Partner

Certified Auditor No. 90004



Dear Sirs and Madams, Dear Shareholders,

I hereby present you the Consolidated Financial Report of the Forte Capital Group for 2014.

My pleasure is even bigger as I can inform you, once again, about our great sales results, stable financial situation and bright perspectives regarding the Group's further development.

In 2014, the Forte Group generated PLN 75 million of net profit (net profitability at the level of 9.1%) with PLN 822 million in revenues. The number of manufactured furniture amounted to 3 million pieces. (6 million packages). These results have been noted by financial markets: Forte's market capitalisation exceeded PLN 1.3 billion and the listing of our company has been added by the FTSE Group (owned by the London Stock Exchange Group) to the listings of FTSE Global Equity Index Series – Emerging Europe. This means that our Company's listing and overall situation has been considered representative and significant for our country (Index for Poland), and consequently for the whole "Emerging Europe" region. The rate of growth of the Capital Group, which increased over 20% compared to previous year, is visibly higher than the market average.

Our activity, as always, focused around three main objectives:

- strengthening relations with long-term business partners,
- building an innovative machine park that now enables us to fulfil our customers' needs and will continue to do so in the future,
- continuous improvement of operating activities.

Ready-to-assemble furniture (RTA) remains the Group's main product. This segment is gaining popularity across Europe. Price range of Forte furniture places us in the medium price segment.

Consolidation of the furniture sales market that we have been observing for the last few years is an advantage for Forte. The formation of huge retail chains operating globally require large suppliers able to deliver a chosen product batch anywhere in Europe within a specific deadline. The Forte Group fits perfectly into this business model. Our multi-lingual staff works directly on target markets, namely Germany, France, Great Britain and Spain.

Our business model based on direct relations with international clients is what distinguishes us among other Polish producers. The offer of the Forte Group comprises modern and functional furniture designed by our well-prepared design department and by outstanding European designers.

Each year, we change approx. 40% of our assortment. This is related to the need for providing many retail chains with a diversified and non-competing range of products. A dynamic rotation of our assortment allows us to maintain a consequent policy of a satisfactory gross margin of more than 35%, despite changing costs of raw materials, energy and labour.

Germany, Austria and Switzerland are the leading furniture markets in Europe. This is where Forte focused its activity, and realizes almost 60% of its revenues.

Export sales of the Forte Group increased by PLN 136 million (25%) year to year. The biggest increase in terms of sales value was recorded on the following markets: Germany – PLN 47 million (+ 12%), France – PLN 43 million (+ 200%), Switzerland – PLN 13 million (+ 92%) and Spain – PLN 10 million (+ 85%).

In recent years, we have introduced assembled furniture to our offer. It is a new product in our portfolio which allows us to enlarge our presence at customers by offering products from a higher price segment. Assembled furniture accounted for PLN 16 million revenue in 2014, and this segment is expected to increase dynamically in the coming years.

We have been implementing the machine park modernisation plan for several years now. Capital expenditure in 2014 amounted to PLN 43 million. Today, four Forte factories are equipped with cutting edge infrastructure. In the nearest years, similar investment dynamics will be maintained.

Continuous investment allows us to realize growing sales and leads to an optimization of production capability, as well as maintaining high product quality and cost-effective production.

The share of sale costs and general costs has not changed compared to last year and was 20% and 4.1%, respectively, in relation to revenues.

Our activity resulted in the EBIT margin at the level of 11.4% (PLN 93.6 million) vs. 10.9% in 2013 and a further growth of the ROE profitability factor, from 9.5% in 2012, 15.1% in 2013 up to 17.8% in 2014.

Safe management of the exchange rate risk, deriving from a strong export position, is another important element of our business model. Due to a consistent hedging policy, results of the Forte Group are almost neutral to currency fluctuations.

Forte's strategic objectives for the subsequent years comprise: maintaining a strong position with large multinational retail distributors and strong focus on selling through this distribution channel, safeguarding the availability of strategic raw materials and optimizing business processes within production, supply chain and customer service.

A two-year agreement for delivery of wood-based panels signed in 2014 with Pfleiderer Grajewo S.A. is a key element in protecting the availability of strategic raw materials. The panels constitute our basic raw material used in production.

Another of our strengths is a modern and international organisational culture. We have a specialised and multi-language staff which cooperates directly with our clients.

Our objective for the nearest years is to generate over EUR 250 million annual turnover while maintaining the present margin level and to increase the production volume to over 4 million pieces of furniture. Extending production capability will allow us to start cooperating with large retail chains selling products at promotions and on-line.

Each year, the Forte Group shares its profit with the company's shareholders. The dividend paid out for one share in the last three years amounted to: PLN 0.75, PLN 0.95 and PLN 1.5, respectively. This year, the Management Board will once again recommend to the General Meeting payment of the dividend based on the profit generated in 2014. We are also planning to maintain the policy of active and transparent relations with our investors.

The Management Board of Forte Group perceives staff development as a very important issue. We carried out a number of specialised training courses, supporting the staff in gaining specialised knowledge and soft management skills. We continue last years' programmes for employees and their families, including English courses, events related to art, science and entertainment. We continue to implement 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 infrastructure, creating modern and comfortable working conditions.

We organised internship programmes for students and develop cooperation with public and private universities. Keeping in mind how much each enterprise can contribute to neighbouring communities, we also support the development of talented unprivileged youth with the activity of our "AMF Nasza Droga" Foundation.

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 2014. 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 2015.

Maciej Formanowicz

President of the Management Board

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Consolidated profit and loss account

Consolidated profit and loss account		For the reporting	ng period ended
		31 December 2014	31 December 2013
Continued operations	Note		
Revenue from sales of goods, products and materials	11.1	814,366	659,969
Revenue from sales of services	11.1	8,048	6,396
Sales revenue		822,414	666,365
Cost of sales of sold goods, products and materials		(520,835)	(421,284)
Cost of sales of sold services		(3,428)	(3,640)
Cost of sales	11.6	(524,263)	(424,924)
Gross profit (loss) from sales		298,151	241,441
Other operating revenue	11.2	2,412	2,829
Costs of sales		(166,673)	(133,919)
General administrative costs		(34,716)	(28,167)
Other operating costs	11.3	(5,570)	(9,763)
Profit (loss) on operating activities		93,604	72,421
Financial revenue	11.4	1,675	1,288
Financial costs	11.5	(2,188)	(1,114)
Profit (loss) on derivative financial instruments	36.2	1,832	552
Profit (loss) before tax		94,923	73,147
Income tax	12	(19,771)	(15,227)
Profit (loss) on continued operations of the period		75,152	57,920
Discontinued operations			(1,128)
Profit (loss) on discontinued operations of the period		1	(1,120)
Profit (loss) of the period		75,152	57,920
Attributable to:			
Shareholders of the Parent Company Non-controlling shareholders		75,168 (16)	57,856 64
Non-controlling shareholders		(10)	04
Profit (loss) per share attributable to Shareholders of the : Parent Company in the period (in PLN)			
- basic		3.16	2.44
- diluted		3.16	2.44
- unuccu		5.10	2. 11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the report	ing period ended
	Note	31 December 2014	31 December 2013
Profit (loss) of the period		75,152	57,920
Other net comprehensive income, including:		(2,848)	370
Items which in the future will not be reclassified to the profit and loss account		515	59
Revaluation of employee benefit obligations	17.2	(438)	(201)
Deferred tax regarding employee benefits		83	38
Incentive Scheme	38.5	870	222
Items which in the future may be reclassified to the profit and loss account		(3,363)	311
Foreign exchange differences on translation of foreign operations		260	12
Hedge accounting	36.2	(4,466)	369
Income tax on other comprehensive income	36.2	843	(70)
Comprehensive income for the period		72,304	58,290
Attributable to:			
Shareholders of the Parent Company		72,320	58,226
Non-controlling shareholders		(16)	64

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

CONSOLIDATED STATEMENT OF FINAN	CIAL SII		
		31 December	31 December 2013
	Note	2014	
ASSETS			
Non-current assets		282,107	254,070
Tangible fixed assets	18	217,009	188,588
Intangible assets	20	16,566	16,632
Financial assets	22	464	888
Deferred income tax assets	12.3	-	-
Investment properties	19	48,068	47,962
Prepayments and accruals		-	-
Current assets		356,623	300,784
Inventory	23	149,013	113,087
Trade and other receivables	24	144,039	99,135
services, as well as other liabilities payroll	2536.2	4,852	9,824
Income tax receivables	24	1	, 35
Deferred revenues and accruals	26	2,934	1,853
Financial assets	27	41	731
Cash and cash equivalents	28	55,743	76,119
TOTAL ASSETS		638,730	554,854
		,	,
LIABILITIES			
Total equity		421,284	384,607
Equity (attributable to shareholders of the Parent	:		
Company), including:		417,590	380,896
Basic equity	29.1	23,751	23,751
Surplus of share sale above their nominal value	29.2	111,646	111,646
Exchange differences on translation of foreign operations		640	380
Revaluation reserve from hedging instruments	29.3	3,925	7,548
Incentive Scheme		1,290	420
Other reserve capital	29.3	167,812	146,803
Retained earnings	29.4	108,526	90,348
Capital attributable to non-controlling			
shareholders	29.5	3,694	3,711
Long-term liabilities		105,085	76,581
Interest-bearing loans and borrowings	30	86,678	58,178
Deferred income tax provision	12.3	12,425	13,504
Provision for benefits after the employment period	17.2	3,324	2,659
Other Provisions	31.1	-	39
Deferred revenues and accruals	31.2	61	86
Financial liabilities due to lease	16.1	2,597	2,115
Other long-term liabilities	10.1	-	-
Short-term liabilities		112,361	93,666
financial instruments financial	32	60,831	54,720
Liabilities due to financial derivative instruments	JZ	00,031	JT,/20
Current portion of interest-bearing loans and borrowings	30	9,822	9,259
Income tax liabilities	32	12,669	10,963
Provisions, deferred revenues and accruals	31	27,820	
Financial liabilities due to lease	16.1		17,968 756
Total liabilities	10.1	1,219 217,446	170,247
		227,140	27 0/247
TOTAL LIABILITIES		638,730	554,854

CONSOLIDATED CASH FLOW STATEMENT

	For the reporting	g period ended
	31 December 2014	31 December 2013
Cash flows from operating activities		
Profit (loss) of the period	75,168	57,856
Adjustments by:	(41,163)	22,215
(Profit)/loss of non-controlling shareholders	(17)	62
Depreciation	16,837	16,668
Foreign exchange (gains)/losses	3,143	486
Net interest and dividends	862	1,032
(Profit)/loss on investment activities Change in the valuation of derivative financial instruments	(39) 1,349	1,215 (506)
Change in the valuation of derivative infancial institutions. Change in receivables	(44,904)	(9,545)
Change in inventories	(35,926)	(13,968)
Change in liabilities, excluding loans and borrowings	6,959	12,613
Change in accruals and deferrals	8,745	3,993
Change in provisions	(1,032)	(622)
Income tax paid	(18,575)	(5,365)
Current tax recognised in the profit and loss account	20,314	15,842
Foreign exchange differences	13	(18)
Provision for retirement benefits	332	267
Valuation of the Incentive Scheme	870	222
Other adjustments	(94)	(161)
Net cash flows from operating activities	34,005	80,071
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	669	938
Purchase of tangible fixed assets and intangible assets	(44,253)	(16,818)
Real property investments	-	(1,028)
Sale of financial assets	-	-
Purchase of financial assets	-	-
Dividends received	26	25
Interest received	17	42
Repayment of borrowings granted	531	813
Borrowings granted	-	(437)
Other investment inflows	-	2
Other investment outflows	-	-
Net cash flows from investing activities	(43,010)	(16,463)
Cash flows from financing activities		
Inflows from loans and borrowings taken out	42,202	25,806
Repayment of loans and borrowings	(16,228)	(18,365)
Repayment of leasing liabilities	(1,021)	(1,273)
Dividends paid to shareholders of the Parent Company	(35,627)	(22,564)
Dividends paid to non-controlling shareholders	(025)	- (4.402)
Interest paid	(935)	(1,103)
Other financial outflows	-	-
Other financial outflows Net cash flows from financial activities	(11,609)	(17,499)
Net increase (decrease) in cash and cash	(20,614)	46,109
(equivalents)		
Net foreign exchange differences (from the opening balance translation)	(238)	(19)
Opening balance of cash	76,119	29,991
Closing balance of cash, including:	55,743	76,119
of limited disposability	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

			Attrib	outable to the sha	reholders of the	Attributable to the shareholders of the Parent Company				
	Equity primary	Surplus of share sale above their nominal value	Foreign exchange differences with calculation of foreign entity.	Incentive	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Total	Share of non- controlling shareholders	Total equity
As at 01 January 2014	23,751	111,646	380	420	90,348	7,548	146,803	380,896	3,711	384,607
Changes in Accounting Principles (Policy)		1	,		1	'			1	1
Error adjustments	•	1	1	1	ı	1	•	•	ı	1
As at 01 January 2014 after adjustments	23,751	111,646	380	420	90,348	7,548	146,803	380,896	3,711	384,607
Payment of dividend for 2013	•	1	ı	I	(35,626)	1	1	(35,626)	(1)	(35,627)
Reclassification to reserve capital	ı	ı		ı	(21,009)	ı	21,009	ı	1	•
Inclusion of an entity to consolidation	ı	'	'	'	'	,	'	'	'	•
-					1			í		
Provisions for employee benefits Incentive Scheme				- 870	(355)			(355)		(355)
Current result	1	•	•		75,168	•	1	75,168	1	75,168
Hedge accounting	1	1	1	1	1	(3,623)	I	(3,623)	ı	(3,623)
Minority result	ı	1	•	ı	ı	•	1	1	(16)	(16)
Foreign exchange differences	1	1	260	1	1	1	ı	260		260
Comprehensive income for	•	1	260	870	74,813	(3,623)	•	72,320	(16)	72,304
As at 31 December 2014	23,751	111,646	640	1,290	108,526	3,925	167,812	417,590	3,694	421,284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

				the letter the Albertain	da 30 onoblodo					
Equity Primary	.	Surplus of share sale above their nominal value	Attribu Foreign exchange differences with calculation of foreign entity.	utable to the shar Incentive Scheme	Retained earnings/ (losses) retained	Attributable to the shareholders of the Parent Company Retained Revaluation reserve arnings/ from hedging tion Scheme (losses) instruments tity.	Other reserve capital	Total	Share of non- controlling shareholders	Total equity
As at 1 January 2013 23,	23,751	111,646	368	198	64,528	7,249	137,494	345,234	3,649	348,883
Changes in Accounting Principles (Policy)	ı	,	1	1	1	1		ı	1	
Error adjustments	•	-	-	-	•	•	•	-	-	1
As at 1 January 2013 after 23. adjustments	23,751	111,646	398	198	64,528	7,249	137,494	345,234	3,649	348,883
Payment of dividend for 2012	1		ı		(22,564)	1	1	(22,564)	(2)	(22,566)
Reclassification to reserve capital	1	1			(608'6)		608'6	1		•
Inclusion of an entity to consolidation	ı	ı		1	ı	1	1	1		1
Provisions for employee benefits	1	ı		1	(163)	•	1	(163)	•	(163)
Incentive Scheme	1	1	1	222	1	•	•	222	1	222
Current result		ı		1	57,856	•	ı	57,856	•	57,856
Hedge accounting Minority result				1 1		299		299	- 64	299
Foreign exchange differences	,	•	12	-	1	•	•	12	-	12
Comprehensive income for the period	1	ı	12	222	57,693	299	•	58,226	64	58,290
As at 31 December 2013 23	23,751	111,646	380	420	90,348	7,548	146,803	380,896	3,711	384,607

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. **General information**

The Fabryki Mebli FORTE Capital Group (the "Group") consists of Fabryki Mebli FORTE S.A. and its subsidiaries (see Note 2). The consolidated financial statements of the Group cover 12 months ended 31 December 2014 and contain comparative data for the year ended 31 December 2013.

Fabryki Mebli "FORTE" S.A. ("Parent Company", "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 Parent Company is entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, under KRS number 21840.

The Parent Company was assigned Statistical ID (REGON) number: (550398784)

The Parent Company and its subsidiaries comprising the Capital Group have been incorporated for an indefinite term.

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.

2. **Composition of the Group**

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (full consolidation method):	Registered office	Scope of activities	Percentage share of the Group in capital	
consolidation method).			31/12/2014	31/12/2013
MV Forte GmbH	Erkelenz (Germany)	Dealership	100.00%	100.00%
Forte Möbel AG	Baar (Switzerland)	Dealership	99.00%	99.00%
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. SKA	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%
**Fort Investment Sp. z o.o.	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%

^{*} indirectly related company - 100% subsidiary of Kwadrat Sp. z o.o.

The Group includes subsidiaries, specified in note 22, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

As at 31 June 2014 and as at 31 December 2013, the percentage of voting rights held by the Parent Company in the subsidiaries corresponded to the percentage held in the share capital of those entities.

Changes made to the composition of the Group during the reporting period

Did not occur.

^{**} indirectly related company — 100% subsidiary of TM Handel Sp. z o.o. SKA

Composition of the Management Board of the Parent Company

As at 31 December 2014, the Management Board of the Parent Company is composed of:

- Maciej Formanowicz President of the Management Board
- Mariusz Jacek Gazda Member of the Management Board
- Gert Coopmann Member of the Management Board,
- Klaus Dieter Dahlem Member of the Management Board,
- Maria Małgorzata Florczuk Member of the Management Board,
- Rafał Prendke Member of the Management Board,

Changes in the composition of the Management Board of the Company

On 10 January 2014, Robert Rogowski, submitted a statement of resignation from the position of Vice-President of the Management Board. On the same day, the Company's Supervisory Board appointed as of 1 March 2014 Mariusz Jacek Gajda as Member of the Management Board of the Parent Company.

On 7 May 2014 the Company's Supervisory Board appointed Maria Małgorzata Florczuk as Member of the Management Board of the Parent Company.

On 28 July 2014 the Company's Supervisory Board appointed Rafal Prendke as Member of the Management Board of the Parent Company.

On 2 February 2015 the Parent Company obtained a statement of resignation by Rafal Prendke from performing the function of the Member of the Management Board of the Issuer as at 4 February 2015.

3. Approval of the financial statements

These consolidated financial statements were authorised for issue by the Management Board on 17 March 2015.

4. Important values based on professional judgment and estimations

4.1.

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

Classification of lease agreements

The Group classifies lease agreements as either operating or financial, based on the 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 rates

Depreciation rates are determined based on the anticipated economic useful lives of tangible fixed assets and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

4.2. **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 Group carried out the analysis of the impairment of inventories. These results of the analysis of impairment of inventories have been presented in note 23 to the consolidated 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 Group applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of financial instruments are presented in note 36.2.

Valuation of provisions

Provisions for employee benefits are determined using actuarial valuations. The assumptions made in this respect are presented in note 17.2.

Deferred tax assets

The Group 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.

5. Basis for preparation of the consolidated financial statements

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, which have been measured at fair value.

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

These consolidated financial statements were drawn up with the assumption of the Group continuing as a going concern in the foreseeable future. As at the date of approval of these consolidated 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 Group 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 Group.

5.1. **Declaration of compliance**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU.

At the date of approval of these financial statements for issue, in light of the current process of IFRS endorsement in the EU and the nature of the Group's activities, there is no difference between the currently enacted IFRSs applied by the Group and the IFRSs endorsed by the European Union.

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

5.2. **Functional currency and presentation currency**

The measurement currency of the Parent Company and other companies included in these consolidated financial statements and the reporting currency of these consolidated financial statements is the Polish zloty.

The functional currency of foreign subsidiaries are the following currencies:

- Möbelvertrieb Forte GmbH EUR
- Forte Möbel AG CHF

6. 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 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 32 Offsetting financial assets and financial liabilities
- Guidelines regarding transitional provisions (amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investment units (amendments to IFRS 10, IFRS 12 and IFRS 27)
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of derivatives and continuing hedge accounting

Their implementation had no impact on the results of operations and the financial situation of the Group and only resulted in changes to the applicable principles of accounitng or, potentially, in expanding the scope of necessary disclosures or change of used terminology.

Key consequences of applying new regulations:

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 application of new standard has no significant impact on consolidated financial statements and includes guidelines which help in establishing whether the unit is in control or not.

• 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 emphasises 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 application of new standard has no significant impact on consolidated financial statements and includes guidelines which help in establishing whether the unit is in control or not.

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 with other entities or investments.

The application of new standard has no significant impact on consolidated financial statements and includes guidelines which help in establishing whether the unit is in control or not.

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 application of new standard has no significant impact on consolidated financial statements of the Group.

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 and Joint Ventures.

The application of new standard has no significant impact on consolidated financial statements of the Group.

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 application of new standard has no significant impact on consolidated financial statements of the Group.

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.

The application of new standard has no significant impact on consolidated financial statements of the Group.

Investment units (amendments to IFRS 10, IFRS 12 and IFRS 27)

The quidelines were published on 28 June 2012 and contain additional information with regard to using IFRS 10 and IFRS 12 in case of units of investment fund nature.

The application of new standard has no significant impact on consolidated financial statements of the Group.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 32 were published on 29 May 2013 and are applied to annual periods starting on 1 January 2014 or later. The amendments modify the scope of disclosures in regard to loss of value of non-financial assets, ie. they require disclosure of the asset recoverable value (the centre generating cash) only in periods where te loss of value was included or its reversal for a given asset (or centre). Furthermore, the new standard will require a wider and more precise scope of disclosures in case of establishing teh recoverable value as fair value decreased by costs of sales, and in case of establishing fair value decreased by costs of sales with the use of technique of current value establishing (discounted cash flows) it will be necessary to indicate information of the applied discount rate (in case of recognition of the impairment or its reversal).

The amendments also adjust the scope of disclosures of recoverable value independently from whether it was established as value in use or fair value decreased by costs of sales.

The application of new standard has no significant impact on consolidated financial statements of the Group.

Amendments to IAS 39 Novation of derivatives and continuing hedge accounting

Amendments to IAS 32 were published on 27 June 2013 and are applied to annual periods starting on 1 January 2014 or later. Amendments enable coninuation of applying hedge accounting (under certain conditions) in case when derivative which is a hedge instrument is recoverable due to legal regulations and due to amendment there is a change in accounting instructions. Amendments to IAS 39 are the effect of legal changes in many countries resulting in the obligatory calculation of the existing OTC derivative instruments and their renewal via an agreement with central accounitng institution.

The application of new standard has no significant impact on consolidated financial statements of the Group.

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

7. Amendments to the existing standards and new regulations which are not in effect for periods beginning as at 1 January 2013.

In these consolidated financial statements, the Group 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 9 Financial Instruments

The new standard was published on 24 July 2014 and is applied to annual periods starting on 01 January 2018 or later. The goal of the standard is to tidy up the classification of financial assets and to introduce unified principles of approaching the assessment of loss of value concerning all financial instruments. The standard also introduces a new model of hedge accounting in order to unify the principles of incorporating in financial statements the information regarding risk management.

The Group applies changed standards in the scope of changes from 1 January 2018.

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. The Group commenced an analysis of the results of the implementation of a new standard.

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 Group will apply the new standard from 01 January 2016.

The application of the amended standard will have no significant impact on consolidated financial statements of the Group.

IFRS 15 Revenues from client contracts

The new standard was published on 28 May 2014 and is applied to annual periods starting on 01 January 2017 or later. Its earlier implementation is also possible. The standard establishes uniform frames of revenue recognition and includes principles which will substitute the majority of detailed quidelines in the scope of recognizing revenues existing currently in IFRS, in particular, in IAS 18 Revenues, ,IAS 11 Construction service contracts and the related interpretations.

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. The Group commenced an analysis of the results of the implementation of a new standard.

Amendments to the various standards stemming from the International Standards for Financial Reporting (Annual Improvements 2010-2012)

On 12 December 2013 further amendments to seven standards were issued, stemming from the draft proposed changes to International Standards for Financial Reporting, published in May of 2012. They apply mostly to annual periods commencing on 1 July 2014 or later.

The Group applies standards in the scope of the conducted changes from 1 January 2015, unless another period of implementation is scheduled.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to the various standards stemming from the International Standards for Financial Reporting (Annual Improvements 2011-2013)

On 12 December 2013 further amendments to four standards were issued, stemming from the draft proposed changes to International Standards for Financial Reporting, published in November of 2012. They apply mostly to annual periods commencing on 1 July 2014 or later.

The Group applies standards in the scope of the conducted changes from 1 January 2015, unless another period of implementation is scheduled.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendment to IAS Defined benefit plans-employee contributions

Amendment was published on 21 November 2013 and are applied to annual periods starting on 01 July 2014 or later. Amendgments clarify and in some cases simplify the principles of accounting regarding employee contributions (or other third parties) within the defined benefit plans.

The Group will apply the changed standard in the scope of changes from 01 January 2015.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

The new interpretation was published on 20 May 2013 and is applied to annual periods starting on 01 January 2014 or later. The interpretation includes guidelines regarding the way in which periods to incorporate liabilities for payment of individual public levies.

The Group will apply the new interpretation from the date established within the new Regulation of the European Commission, accepting the interpretation for implementation within the European Union , from 1 January 2015.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to IFRS 11 Recognition of share acquisition within own operations

Amendments to IAS 11 were published on 6 May 2014 and are applied to annual periods starting on 1 January 2016 or later. The purpose of changes is to present detailed guidelines explaining the method of recognizing the transactions of share acquisition in joint operations which constitute a venture. The changes require applying principles identical to those which are applied in case of mergers of entities.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to IAS 16 and IAS 38 Explanations in the scope of acceptable methods of depreciation and amortisation

Amendments to IFRS 16 Tangible fixed assets and IAS 38 Intangible assets were published on 12 May 2014 and are applied to annual periods starting on 1 January 2016 or later The change constitutes additional explanations in relation to the allowable methods of amortization. The target of changes is to indicate taht the method of calculating depreciation of tangible fixed assets and intangible values based on revenue is not correct, however, in case of intangible values this method may be applied in certain circumstances.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to IAS 16 and IAS 41 Agriculture: Production plants

Amendments to IFRS 16 and 41 were published on 30 June 2014 and are applied to annual periods starting on 1 January 2016 or later. This change indicates that production plants ought to be recognized in the same way as tangible fixed assets in the scope of IAS 16. In relation to the above, production plants ought to be recognized through the prism of IAS 16 instead of IAS 41. Agricultural products created by production plants continue to fall under the scope of IAS 41.

The application of the amended standards will have no impact on consolidated financial statements of the Group.

Amendments to IAS 27: Method of property rights in separate financial statements

Amendments to IAS 27 were published on 12 August 2014 and are applied to annual periods starting on 1 January 2016 or later. Amendments restore within IFRS an option of recognizing within separate financial statements investments in subsidiaries, joint ventures and entities created by means of property rights method. In case of selecting this method it ought to be applied for each investment within a given category.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to IAS 10 and IAS 28 Agriculture: Sale or transfer of assets between investor and its related entity or

Amendments to IFRS 10 and 28 were published on 11 September 2014 and are applied to annual periods starting on 1 January 2016 or later. Amendments clarify accounting of transactions where the parent company loses control over its subsidiary which does not constitute a business in accordance with the definition defined in IFRS 3 " Merge of entities" by means of sale of all or parts of shares within this subsidiary to related entity or to joint venture recognized via method of property rights.

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 the various standards stemming from the International Standards for Financial Reporting (Annual Improvements 2012-2014)

On 25 September 2014 further amendments to four standards were issued, stemming from the draft proposed changes to International Standards for Financial Reporting, published in November of 2013. They apply mostly to annual periods commencing on 01 January 2016 or later.

The Group appllies sandards in the scope of the conducted changes from 01 January 2016, unless another period of implementation is scheduled.

The application of the amended standards will have no significant impact on consolidated financial statements of the Group.

Amendments to IAS 1: Initiative regarding disclosures

On 18 December 2014, within the frames of large initiative targeted at improving presentation and disclosure in financial statements amendments to IAS 1 were published. These amendments are targeted at further incentivising entities to apply professional judgement in defining which information ought to be disclosed in financial statements. For instance, these changes clarify that significance concerns the entire financial statements and that inclusion of non-significant information may reduce the usefullness of disclosures which are strictly financial. Furthermore, changes clarify that entities ought to apply professional judgement when defining in what place and in what order to present information when disclosing financial information.

The published amendments are accompanied by draft changes to IAS 7 Report on cash flow which increase the requirements regarding disclosures regarding cash flows from financial activities and cash and eqivalents of the entity.

Changes may be applied immediately, however, they apply as obligatory to annual periods commencing on 01 January 2016 or later. The Group commenced an analysis of the results of the implementation of changes. The Group will apply changes no later than from 1 January 2016 and their result may be a change of scope and/or form of disclosures presented in financial statements.

Amendments to IFRS 10, IFRS 12 and IFRS 28: Investment entities: applying exception in consolidation

Amendments to IFRS 10, 12 and 28 were published on 18 December 2014 and are applied to annual periods starting on 1 January 2016 or later. Their goal is to clarify the requirements in the scope of accounting within investment units.

The Group assesses that the application of the amended standards will have no impact on consolidated financial statements of the Group.

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, published on 24 July 2014.
- IFRS 14 Regulatory Deferral Accounts, published on 30 January 2014,
- IFRS 15 Revenues from client contracts, published on 28 May 2014,
- Amendments to IFRS 11 Recognition of share acquisition within own operations 6 May 2014
- Amendments to IAS 16 and IAS 38 Explanations in the scope of acceptable methods of depreciation and amortisation published on 12 May 2014
- Amendments to IAS 16 and IAS 41 Agriculture: Production plants published on 30 June 2014,
- Amendments to IAS 27: Method of property rights in separate financial statements published on 12 August 2014,
- Amendments to IFRS 10 and IFRS 28: Sale or transfer of assets between investor and its related entity or joint venture published on 11 September 2014,
- Amendments to the various standards stemming from the International Standards for Financial Reporting (Annual Improvements 2012-2014) published on 25 September 2014,
- Amendments to IAS 1: Initiative regarding disclosures

Amendments to IFRS 10, IFRS 12 and IFRS 28: Investment entities: applying exception in consolidation

8. Summary of significant accounting policies

8.1. **Consolidation principles**

These consolidated financial statements comprise the financial statements of Fabryki Mebli FORTE S.A. and the consolidated financial statements of its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries have been adjusted to be IFRS compliant and prepared for the same reporting period as the financial statements of the Parent Company, using consistent accounting policies and based on unified accounting policies concerning transactions and economic events of a similar nature. To eliminate any discrepancies in accounting policies used, relevant adjustments are made.

All significant balances and transactions between the Group companies, including unrealised gains on intra-group transactions, were fully eliminated. Unrealised losses are eliminated, unless they represent indicator of impairment.

Subsidiaries are consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. The Parent Company exercises control when it holds, directly or indirectly, through its subsidiaries, more than a half of votes in a particular company, unless it can be proven that such ownership does not determine the exercise of control. Control is also exercised if the company has the power to govern the financial or operating policy of an enterprise so as to obtain benefits from its activities.

8.2. Revenues

Revenue is recognised to the extent that it is probable that the economic

benefits will flow to the Group 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.

Rental income (operational leasing)

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Government subsidies

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 systematically recognised in the profit and loss account over the estimated useful life of the relevant asset by way of equal, annual write-downs.

8.3. Earnings per share

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

8.4. Leases

The Group as a lessee

Financial leases which substantially transfer to the Group all risks and benefits arising from the ownership of leased items are capitalised at the date of lease commencement, according to the lower of the following two values: fair value of leased fixed assets, or the present value of 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. Financial costs 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 held asset are classified as operating leases. Operating lease payments and subsequent lease instalments are recognised as costs in the profit and loss account, on a straight-line basis and over the lease term.

The Group as a lessor

Leases where the lessor retains substantially all the risks and benefits of ownership of held 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 in the profit and loss account.

8.5. Foreign currency translation

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 according to the average foreign exchange rate established by the National Bank of Poland for a given currency, applicable as at the end of the reporting period. The resulting exchange rate differences are recognised under financial revenue/costs or, in the cases provided for in the accounting principles (policy), capitalised at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies and recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted according . to the average exchange rate applicable as at the date of the measurement at fair value

Financial statements concerning foreign operations are translated to the Polish currency in the following manner:

-individual balance sheet items at the average rate determined by the National Bank of Poland as at the balance sheet date;

- Möbelvertrieb Forte GmbH EUR 4.2623
- Forte Möbel AG CHF 3.5447

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

- Möbelvertrieb Forte GmbH EUR 4.1893
- Forte Möbel AG CHF 3.4542

The exchange differences arising from the translation to the presentation currency are taken directly to equity and recognised as a separate item. On disposal of a foreign entity, the cumulative amount of deferred exchange differences recognised in equity and relating to that particular foreign entity shall be recognised in the profit and loss account.

8.6. **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.

8.7. **Retirement benefits**

In accordance with the applicable remuneration systems, employees of the Group companies are entitled to retirement severance pays. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends the number

years of employment and the employee's average salary. The Group creates a provision for future 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 (provision change resulting from the accumulation of liabilities over the period of the extensional traineeships and age of employees)
- · interest costs (increase in liabilities related to interest rate; it is the product of the value of liabilities at the beginning of the

and the rate of interest used for the discount)

· actuarial profit/loss is a change resulting from differences between the assumptions and their implementation as well as changes adopted in the calculation of parameters and assumptions

The Group 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.

8.8. **Share-based payments**

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 valuator 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 directors of the Parent 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 no transactions there were no equity-settled transactions.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

8.9. **Taxes Current tax**

Current tax

Current income tax assets and liabilities arising in 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.

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 Group 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, assets and liabilities 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.

8.10. **Tangible fixed assets**

Tangible fixed assets are measured according to costs less accumulated depreciation and revaluation impairment write-downs. The initial cost of an item of tangible fixed assets comprises its purchase price and any directly attributable costs of purchase and bringing the asset to 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 can be allocated a separate depreciation period. Major overhauls are also treated as a separate component.

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

Tangible fixed assets are depreciated using the straight line method over their estimated useful lives:

Туре	2014	2013
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 tangible fixed assets are reviewed annually, and, if necessary, adjusted retrospectively, i.e. with effect from the beginning of the completed financial year.

An item of tangible fixed assets 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.

Investment properties 8.11.

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 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 of assets to investment property are made solely when changes occur in their use, evidenced by the ending of occupation by the owner, the conclusion of an operating lease, or the completion of construction or development of investment property. If an asset occupied by the Group as an owner-occupied asset becomes an investment property, the Group accounts for such a property in accordance with the policy stated under the item of Tangible fixed assets until the date of change in the manner of its 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.

8.12. **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 depreciation and any revaluation impairment write-downs. 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 Group 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 depreciation period and depreciation method for intangible assets with a finite useful life are reviewed at least at the end of each financial year. 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 depreciation period or method, as appropriate, and treated as changes in accounting estimates. Depreciation write-downs on intangible assets with finite lives are recognised in the profit and loss account in the expense category consistent with the function of a given 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 down to 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 expenditures on development, historical cost model is applied, requiring assets to be carried at purchase/manufacturing costs, less accumulated depreciation and accumulated impairment write-downs. 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 may not be recoverable.

A summary of the policies applied to the Group'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	5 years
Depreciation method applied	Depreciated 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	The annual assessment of whether there is any indication of impairment.	The annual assessment of whether there is any indication of impairment.	The 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.

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 such indication exists, or in the case annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or the cash-generating unit to which that asset has been allocated.

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 regardless of which of them is higher. 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 adopted 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. Revaluation impairment write-downs on continuing operations are recognised in other operational

The Group performs an assessment at each reporting date as to whether there is any indication that previously recognised revaluation impairment write-downs may no longer exist or may have been reduced. If such indication exists, the Group makes an estimate of the recoverable amount. Previously recognised revaluation impairment write-downs are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last revaluation write-down

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, had no revaluation impairment write-downs been recognised for the asset in the previous years. Such a reversal of revaluation impairment writedown is immediately recognised as income in the profit and loss account. After a reversal of revaluation impairment write-down is recognised, the depreciation write-down referring to a given asset is adjusted in the future periods so as to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

8.14. 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 Group 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 situation, 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

8.15. **Inventory**

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

8.16. 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 Group 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 changes in fair value of these financial instruments are recognised as other revenue or operating costs in 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. It does not apply to 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 liabilities or recognising gains or

losses on them on a different basis; (ii) or 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.

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. Loans granted and receivables with maturities exceeding 12 months from the balance . sheet date are classified under non-current asset They are measured at amortised cost using the effective interest rate.

Financial assets available for sale.

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 the purchase price, adjusted for any impairment write-downs. 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 market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decreases in the value of financial assets available for sale resulting from impairment are recognised as financial costs in the profit and loss account.

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 Group 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.

8.17. **Impairment of financial assets**

The Group 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 an objective evidence of impairment on loans granted and receivables carried at amortised cost, the amount of revaluation impairment write-down is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate assumed 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 Group 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 revaluation impairment writedowns are or continue to be recognised or are considered to be invariant are not included in the collective assessment of impairment.

If, in the subsequent period, the amount of impairment write-down decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment write-down is reversed. Any subsequent reversal of impairment revaluation write-downs is recognised in the profit and loss account, 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 an objective evidence of impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative instrument that is linked to and has to be settled through the delivery of such an unquoted equity instrument, the amount of the impairment write-down 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 similar financial assets.

Financial assets available for sale.

If there is an objective evidence of impairment of an available-for-sale financial asset, then the amount of the difference between the acquisition cost (net of any principal payment and depreciation and - in the case of financial assets valued according to amortised cost with the. application of effective interest rate method – the depreciation) and the current fair value (less any impairment write-down on that financial asset previously recognised in the profit or loss account) is removed from equity and recognised in the profit and loss account. Reversals of impairment write-downs 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 write-down was recognised in the profit and loss account, the impairment write-down is reversed, with the amount of reversal recognised in the profit and loss account.

8.18. **Embedded derivative instruments**

Embedded derivative instruments are separated from agreements and accounted for as derivative instruments if 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 Group upon its initial recognition.

Financial derivatives

Derivative instruments used by the Group 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 lossaccount, 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.

Hedge accounting

The Group's Parent 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

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

To hedge future foreign currency transactions, the Group's Parent 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 Group's equity under the heading revaluation of hedging instruments. At the time of implementing 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 effective part and profit (losses) on derivative financial instruments – for the ineffective part.

At the inception of the hedge, the Parent 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 date.

Efficiency is considered to be high if ranges of 80% to 125%.

The Parent 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 entity cancels 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.

8.21. Trade and other receivables

Trade receivables. generally characterised by 1to 3-month maturity period, recognised are and carried at original invoice amount, less write-downs on any doubtful receivables Write-downs on receivables are estimated when the collection of 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.

Other receivables include, in particular, advance payments for future purchases of fixed tangible assets, intangible assets and inventories. Advances are presented in accordance with the nature of assets to which they refer - as fixed assets or current assets. As a non-monetary assets, advances are not subject to discount.

8.22. 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 purpose of the consolidated cash flow statement, cash and cash equivalents balance consists of cash and cash equivalents as defined above.

8.23. **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.

Trade and other receivables 8.24.

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:

- 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
- 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 liabilities asset contains an embedded derivative 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 revenue.

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 if it expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, this is treated by the Group 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 Group as a derecognition of the original liability and the recognition of a new liability. Differences in the respective carrying amounts are 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.

8.25. **Provisions**

Provisions are recognised when the Group 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 Group 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. Costs relating to particular provisions are 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.

9. Information on operating segments

As of 1 January 2009, new IFRS 9 "Operating segments" shall apply. Pursuant to the requirements of this standard, operating segments are to be identified on the basis of internal reports on components of the Group that are regularly reviewed by persons deciding on the allocation of resources to the given segment and assessing its financial results.

Internal analysis and reports for management purposes of the Group's Parent 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.

Due to the fact that there is no possibility to obtain separate financial information that would be subject to a duty of disclosure for each direction of sales, the Management Board of the Parent Company decided not to separate the operating segments under IFRS 8.

10. Seasonality of operations

Seasonality can be observed in the Group'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 2014	212,043	25.78%
Q2 2014	190,749	23.20%
Q3 2014	189,172	23.00%
Q4 2014	230,450	28.02%
Total for 2014	822,414	100.00%
Q1 2013	156,537	23.49%
Q2 2013	146,810	22.03%
Q3 2013	166,540	24.99%
Q4 2013	196,478	29.49%
Total for 2013	666,365	100.00%

Revenue and costs 11.

11.1. Sales revenue and geographic structure

	For the reporting period ended	
Sales revenue	31/12/2014	31/12/2013
Revenue from sales of products, goods and materials	814,366	659,969
- products	799,839	646,930

- goods	8,609	9,515
- materials	5,918	3,524
Revenue from sales of services	8,048	6,396
Net sales revenue, in total	822,414	666,365
Geographic structure:		
- domestic	144,540	125,112
- export	677,874	541,253
Net sales revenue, in total	822,414	666,365
- including from related entities	10,925	27,018

Information on key customers

The biggest customers for the products of the Forte Group is Roller GmbH (Germany) and Steinhoff Group International (France). Share in turnover of each of those customers exceeded 10% of the total Group revenue. There are no formal ties between the customer and the Issuer.

Other operating revenue

	For the reporting period ended	
Other operating revenue	31/12/2014	31/12/2013
Reversal of revaluation write-downs	681	310
Profit on sale of tangible fixed assets	39	-
Revaluation of investment real properties	106	162
Subsidies	268	492
Donations and compensations	881	847
Stocktaking surplus	-	515
Other	437	503
Total other operating revenue	2,412	2,829

11.3. Other operating costs

	For the reporting period ended	
Other operating costs	31/12/2014	31/12/2013
Creation of revaluation write-downs	588	4,007
Liquidation and impairment write-downs on tangible fixed assets	11	460
Scrapping of inventory	2,613	2,571
Donations	722	835
Penalties and compensations	564	171
Loss from the disposal of fixed assets	356	756
Costs of employee benefits	332	310
Scrapping of inventory	153	-
Other	231	653
Total other operating costs	5,570	9,763

11.4. Financial revenue

	For the reporting period ended	
Financial revenue	31/12/2014	(31.12) 2013
Dividend from related entities not covered by consolidation	25	25
Interest	1,650	1,171
Exchange gains with respect to financial assets and liabilities	-	92
Total financial revenue	1,675	1,288

11.5. Financial costs

	For the reporting period ended	
Financial costs	31/12/2014	(31.12) 2013
Interest on loans and leasing	847	1,030
Commission on loans	80	71
Exchange gains with respect to financial assets and liabilities	1,235	-
Other	26	13
Total financial costs	2,188	1,114

11.6. Costs by type

	For the reporting period ended	
Costs by type	31/12/2014	(31.12) 2013
Depreciation	16,837	16,668
Consumption of materials and energy	403,961	329,142
External services	158,040	115,163
Taxes and fees	8,097	7,358
Payroll	117,365	95,263
Social insurance and other benefits	27,002	22,896
Other costs by type	6,600	6,087
	737,902	592,577
Change in product inventory and accruals	(20,785)	(14,558)
Manufacturing cost of products for internal purposes	(1,651)	(914)
Costs of sales	(166,673)	(133,919)
General administrative costs	(34,716)	(28,167)
Manufacturing cost of sold products and services	514,077	415,019
Value of goods and materials sold	10,186	9,905
Cost of sales	524,263	424,924

11.7. Depreciation costs recognised in the profit and loss account

	For the reporting period ended	
Depreciation costs in the profit and loss account	31/12/2014	(31.12) 2013
Depreciation costs recognised in the:		
Own cost of sales	12,880	12,753
Costs of sale	2,565	2,482
General administrative costs	1,392	1,433
Total depreciation costs	16,837	16,668

11.8. **Costs of employee benefits**

	For the reporting period ended	
Costs of employee benefits	31/12/2014	(31.12) 2013
Costs of employee benefits recognised in the:		
Own cost of sales	88,685	72,870
Costs of sale	31,447	26,166
General administrative costs	24,235	19,123
Total costs of employee benefits	144,367	118,159

12. **Income tax**

12.1. Tax expense

The main items of tax charge for the year ended 31 December 2014 and 31 December 2013 are as follows:

	For the reporting period ended	
Income tax	31/12/2014	(31.12) 2013
Current income tax		
Current charge due to income tax	20,312	15,842
Adjustments related to current income tax from previous years	2	-
Deferred income tax		
Relating to the origination and reversal of temporary differences	(543)	(615)
Tax charge in the consolidated	19,771	15,227
profit and loss account		

The Group's statement of financial situation presents the asset and the deferred tax per balance.

12.2. 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 Group's effective income tax rate for 12 months ended 31 December 2014 and 31 December 2013:

	For the reportir	For the reporting period ended	
Effective tax rate	31/12/2014	(31.12) 2013	
Profit/(loss) before tax	94,923	73,147	
Tax at the statutory rate applicable in Poland, i.e. 19% (2013: 19%)	18,035	13,898	
Non-tax deductible costs	912	700	
Costs not constituting tax base	(110)	(118)	
Effect of differences in tax rates of subsidiaries operating in other tax			
systems	831	695	
Unrecognized tax loss	22	-	
Other	81	52	
Tax at the effective rate being 20.83 % (2013: 20.82%)	19,771	15,227	
	,	,	
Income tax (charge) recognised in the consolidated profit and loss			
account	19,771	15,227	
Income tax attributable to discontinued operations	-	, -	
	19,771	15,227	

Effective tax rates of subsidiaries operating in other tax systems are as follows: MV Forte GmbH (Germany) - 30,53%.

12.3. **Deferred income tax**

Deferred income tax results from the following items:

Deferred inc	Consolidated balance sheet come tax As at		Consolidated profit and loss account For the reporting period ended		
Balance item	Title of a temporary difference	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Deferred tax provision					
Tangible fixed assets	Revaluation of fixed assets	17,980	17,221	760	722
Tangible fixed assets	Investment relief	182	228	(46)	(47)
Tangible fixed assets	Revaluation write-down on fixed assets	(1)	(70)	69	(62)
Receivables/Liabilities arising from					
supplies and services as well as other	Foreign exchange differences	(194)	2	(196)	(147)
Deferred revenues and accruals	Deferred revenues and accruals	(2,909)	(1,742)	(1,167)	(389)
Financial assets	Share revaluation write-down	(78)	(76)	(2)	-
Trade and other receivables	Revaluation of receivables	(523)	(515)	(8)	(244)
Trade and other receivables; Financial assets	Interest accrued	4	6	(2)	(4)
Inventory	Revaluation of inventory value	(576)	(1,035)	459	(409)
Inventory, receivables under supplies	Revenue on conditions of Incoterms DDP and DAP	(780)	(840)	60	(591)
Deferred revenues and accruals	Provisions for transport costs				
		125	115	10	115
Provision for benefits after the			(59)	(63)	(59)
employment period	Provisions for retirement benefits	(122)			
Provisions, deferred revenues and					
accruals	Provision for bonuses	(1,690)	(1,449)	(241)	(111)
Trade and other receivables	Salaries and overheads for salaries	(664)	(585)	(79)	(148)
Receivables from to derivative instruments of financial instruments	Short-term investments	-	106	(106)	106
Trade and other receivables	Overdue liabilities past due period of more than 30 days	(64)	(46)	(18)	(46)
	Other	1,329	910	27	699
Deferred tax provision		927	12,171	(543)	(615)
Deferred tax provision		(521)	1,333	-	. ,
covered in the statement of comprehe	ensive income	,	,		
Total deferred tax provision		12,425	13,504		

Deferred tax in the amount of PLN 83 thousand concerning employee benefits and PLN 843 thousand concerning hedge accounting is recognised directly in capitals.

13. Social assets and liabilities

The Act on Social Fund of 4 March 1994 with subsequent amendments requires the companies, whose employees' number exceeds 20, to establish and run a Social Fund. The Group operates such a Fund and creates periodical write-downs based on the minimum required amount. The Fund's purpose is to subsidize the Group's social activity, loans to employees and other

The Group has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Group. Therefore, the net receivables as at 31 December 2014 are PLN 671 thousand (as at 31 December 2013 - net receivables amounted to PLN 27 thousand).

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

	As at	
	31/12/2014	31/12/2013
Assets contributed to the Fund, in total	-	-
Loans granted to employees	1,666	1,665
Cash	1,839	704
Liabilities due to the Fund	(2,834)	(2,342)
Balance after offsetting	671	27
Write-downs on the Fund during the financial period	2,921	2,359

14. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent 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).

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

	For the reporting period ended	
	31/12/2014	31/12/2013
Net profit (loss) from continued operations	75,168	57,856
Loss from discontinued operations	-	-
Net profit (loss)	75,168	57,856
Net profit (loss) attributed to normal shareholders, applied to calculate		
diluted earnings per share	75,168	57,856

	As at	
	31/12/2014	31/12/2013
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23,751,084	23,751,084
Impact of dilution:		
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 Shareholders of the : Parent Company in the period (in PLN)	31/12/2014	31/12/2013
- basic	3.16	2.38
- diluted	3.16	2.38

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.

15. Dividend paid and proposed

The Parent Company's Management Board will propose a dividend payment for 2014, allocating a portion of the profit generated in the period. As at the publication of this report, the Management Board of the Parent Company has not presented the details of dividend payments.

By virtue of a resolution of the Annual General Meeting of the Parent Company 10 June 2014, the decision was made to distribute the Parent Company net profit for the financial year 2013 in the amount of PLN 56,538 thousand, allocating PLN 35,627 thousand to the payment of dividend and PLN 20,911 thousand to supplementary capital. The amount of dividend per share amounted to PLN 1.50. The dividend record date was set for 25 June 2014. Dividend was paid on 02 July 2014.

16. Leases

Financial lease and hire purchase commitments 16.1.

The Group as a lessee as at 31 December 2014 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 2014 and 31 December 2013, future minimum rentals payable under financial leases are as follows:

	Minimum _I	payments
	31/12/2014	31/12/2013
Within 1 year	1,357	819
In the period from 1 to 2 years	1,265	1,438
In the period from 2 to 5 years	1,440	760
Over 5 years	-	-
Minimum lease payments, in total	4,062	3,017
Minus financial costs	(246)	(146)
Present value of minimum lease payments	3,816	2,871
Short-term	1,219	756
Long-term	2,597	2,115

Operating lease liabilities — the Group as a lessee

The Group concluded within the reporting period ended on 31 December 2014 operational leasing agreement for agreements for lease of transportation vehicles. Validity term of agreements is either 24 or 36 months, residual value was calculated at 30-35% of initial value of leased items.

As per 31 December 2014 future minimum fees on account of operational leasing agreements are presented as follows:

	24 /42 /2014	24 /42 /2042
	31/12/2014	31/12/2013
Within 1 year	368	363
In the period from 1 to 5 years	269	168
Over 5 years	-	-
Future minimum lease payments, in total	637	531

16.3. Operating lease receivables - the Group as a lessor

In the reporting year ended 31 December 2014, the Group concluded operating lease agreements for the rental of commercial premises in the building in Wroclaw located at ul. Brucknera 25-43 and in Bydgoszcz at ul. Poznańska.

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 March 2015.

As at 31 December 2014, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at	As at	
	31/12/2014	31/12/2013	
Within 1 year	1,388	1,280	
In the period from 1 to 5 years	2,835	3,654	
Over 5 years	-	302	
Future minimum lease payments, in total		5,236	
	4,223		
	·		

17. **Employee benefits**

Employee share incentive programmes

A detailed description of the Incentive Scheme is contained in note 38.5.

17.2. Pensions and other post-employment benefits

The Group's Entities 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 a professional actuarial company — the Group recognised 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	
	31/12/2014	31/12/2013
Discount rate (%)	2.3%	4.0%
Expected inflation rate (%)	2.5%	2.5%
Employee turnover ratio (%)	11.4-13.7%	10.7-13.5%
Predicted growth rate of remuneration (in %)	3.5%	3.5%

	Changes		
Provision for pensions and disablement benefits	2014	2013	
As at 1 January	2,717	2,206	
Foreign exchange differences	3	1	
Interest costs	104	94	
Costs of current employment	273	226	
Costs of past employment and limitations of benefit programme	-	-	
Benefits paid	(45)	(10)	
Actuarial profit/(loss) from changes in demographic assumptions	16	-	
Actuarial profit/(loss) from changes in economic assumptions	516	122	
Actuarial profit/(loss) from differences between the assumptions and the implementation	(93)	79	
Profit/loss on benefit programme settlements	-		
As at 31 December	3,491	2,717	
Of which:			
longterm	3,324	2,659	
short-term	167	58	

Short-term provision for pensions and disablement benefits was recognised as short-term liabilities/provisions and accruals or deferrals.

Amounts recognised in the comprehensive income:

	2014	2013
Costs of benefits:		
Costs of current employment	(273)	(226)
Interest costs	(104)	(94)
Components of the programme costs recognised in the financial result:	(377)	(320)
Actuarial profit/(loss) from changes in demographic assumptions	(16)	-
Actuarial profit/(loss) from changes in economic assumptions	(516)	(122)
Actuarial profit/(loss) from differences between the assumptions and the implementation	93	(79)
Current components of the programme costs recognised in equity	(439)	(201)

Total amount of the programme costs recognised in capital	(238)	(170)
Total annual costs:	(816)	(521)

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	Impact on the provision for pensions and disablement benefits
Discount rate (%)	0.5%	(167)
	-0.5%	181
Predicted growth rate of remuneration (in %)	0.5%	192
	-0.5%	(179)

18. **Tangible fixed assets**

		As at			
	31/12/2014	31/12/2013			
Land	12,772	12,772			
Buildings and structures	79,213	76,657			
Technical equipment and machines	96,362	79,086			
Means of transport	7,185	6,438			
Other tangible fixed assets	3,851	3,930			
Fixed assets under construction	17,626	9,705			
Total tangible fixed assets	217,009	188,588			

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 01 January 2014	12,772	76,657	79,086	6,438	3,930	9,705	188,588
Increase	, -	5,489	28,928	2,639	280	40,567	77,903
Including financial lease	-	-	921	987	-	-	1,908
Reclassified from intangible assets to fixed assets	_	_	_	-	_	_	_
Other decreases	_	(37)	(3,379)	(1,164)	(19)	(32,646)	(37,245)
Elimination of redemption as a result of		(37)	(3/3/3)	(1/101)	(13)	(32/010)	(3,72.3)
the sale of assets	-	10	2,750	827	17	-	3,604
Revaluation impairment write-down:	-	-	-	-	-	-	-
Reversal of revaluation impairment write-down recognised in the profit and							
loss account	-	-	365	-	-	-	365
Depreciation write-down for the period Foreign exchange differences	-	(2,906)	(11,388)	(1,563)	(360)	-	(16,217)
adjustment	-	-	-	8	3	-	11
Net value as at 31 December 2014	12,772	79,213	96,362	7,185	3,851	17,626	217,009
As at 01 January 2014							
Gross amount	12,772	98,754	175,736	14,512	6,316	9,705	317,795
Accumulated depreciation and							
revaluation impairment write-down	-	(22,097)	(96,650)	(8,074)	(2,386)	-	(129,207)
Net value	12,772	76,657	79,086	6,438	3,930	9,705	188,588
As at 31 December 2014							
Gross amount	12,772	104,206	201,285	15,995	6,580	17,626	358,464
Accumulated depreciation and	•	•	•	•	•	-	•
revaluation impairment write-down	-	(24,993)	(104,923)	(8,810)	(2,729)		(141,455)
Net value	12,772	79,213	96,362	7,185	3,851	17,626	217,009

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 1 January 2013	12,820	74,114	87,407	6,482	4,028	3,929	188,780
Increase	12,020	5,459	5,155	1,393	334	14,727	27,068
Including financial lease	_	J, 1 J9	5,155	1,079		17,727	1,079
Reclassified from intangible assets to				,			, -
fixed assets	_	_	_	_	_	_	_
Other decreases	(48)	(519)	(4,501)	(667)	(86)	(8,951)	(14,772)
Elimination of redemption as a result of	(- /	()	(/ /	(3.5.)	()	(-/ /	(
the sale of assets	-	449	2,854	615	77	-	3,995
Revaluation impairment write-down:	-	-	(365)	-	-	-	(365)
Reversal of revaluation impairment							
write-down recognised in the profit and			20				20
loss account	-	(2.046)	38	(1.207)	(425)	-	38
Depreciation write-down for the period Foreign exchange differences	-	(2,846)	(11,502)	(1,397)	(425)	-	(16,170)
adjustment	_	_	_	12	2	_	14
Net value as at 31 December 2013	12,772	76,657	79,086	6,438	3,930	9,705	188,588
As at 1 January 2013							
Gross amount	12,820	93,814	175,082	13,774	6,066	3,929	305,485
Accumulated depreciation and		(===>)	(0= ===)	(= aaa)	(2.222)		// · · · · · · · · · · · · · · · · · ·
revaluation impairment write-down	-	(19,700)	(87,675)	(7,292)	(2,038)	-	(116,705)
Net value	12,820	74,114	87,407	6,482	4,028	3,929	188,780
As at 31 December 2013							
Gross amount	12,772	98,754	175,736	14,512	6,316	9,705	317,795
Accumulated depreciation and							
revaluation impairment write-down	-	(22,097)	(96,650)	(8,074)	(2,386)		(129,207)
Net value	12,772	76,657	79,086	6,438	3,930	9,705	188,588

As at 31 December 2014, total fixed assets at the Group's disposal amounted to PLN 217,009 thousand As at 31 December 2013 PLN 188,588 thousand). They consisted of the amounts shown above.

Assets pledged as security

The balance sheet value of tangible fixed assets used as at 31 December 2014 by the Group on the basis of financial lease agreements and lease agreements with the option of repurchase is PLN 4,744 thousand, of which PLN 1,864 thousand relates to the lease of machinery and equipment, PLN 2,734 thousand relates to the lease of means of transport, and PLN 146 thousand relates to the lease of other tangible fixed assets (as at 31 December 2013: PLN 4,124 thousand).

Land and buildings with the balance sheet value of PLN 74,745 thousand (As at 31 December 2013: PLN 72,910 thousand) are covered by mortgages established to secure bank loans of the Group (note 30 -interest-bearing loans and borrowings)

Additionally, machinery and equipment with the balance sheet value of PLN 17,973 thousand are subject to registered pledge (as at 31 December 2013: PLN 52,916 thousand).

The capitalised external financing costs in the reporting period ended 31 December 2014 amounted to PLN 83 thousand (As at 31 December 2013 did not occur).

Purchase and sale

In the 12-month period ended 31 December 2014, the Group purchased tangible fixed assets with a value of PLN 43,345 thousand (in the comparative period ended 31 December 2013: PLN 17,041 thousand) and sold tangible fixed assets with net value of: PLN 619 thousand (in the comparative period ended 31 December 2013: (as at 31 December 2013: PLN 1,543 thousand).

The most significant capital expenditures include expenses for infrastructure modernisation of buildings in all the factories of the Parent Company and investments for the extension and modernization of machine park.

Capital commitments

(as at 31 December 2014 — net receivables of the Group amounted to PLN 1,315 thousand). (As at 31 December 2013: at 31 December 2013: PLN 1,667 thousand). This amount concerns primarily the expenditures on tangible fixed assets under construction and the purchase of machinery and equipment.

Impairment write-downs

Revaluation write-downs on fixed assets	2014
Revaluation write-down as at 1 January	368
Creation	-
Release	(365)
Revaluation write-down as at 31 December	3

19. **Investment properties**

The Group holds two investment properties. These are shopping centres: in Wrocław with an area of ca. 7 thousand sq. m and in Bydgoszcz with an area of ca. 5 thousand sq. m. The properties were classified as investment properties because a vast part of them is leased to unrelated entities.

When assessing the value of investment real properties the Group in the applies principles set out in IAS 40, i.e. valuation at fair value. The valuation is carried out at the end of each financial year by an independent valuer.

As a result of revaluation of the investment real property as at 31 December 2014, there was an increase in the fair value of real property in Wrocław by PLN 106 thousand. (in 2013 there was no increase of fair value) while in Bydgodzcz the currently indicated book value was considered as market value and it was confirmed by the independent valuer (in 2013 an increase of fair value by PLN 162 thousand)

	Fair value change		
	2014	2013	
Opening balance as at the beginning of the reporting period	47,962	46,772	
Increase (later expenses)	106	1,190	
- land purchase	-	1,028	
- reclassification of fixed assets under construction	-	-	
- revaluation to the fair value	106	162	
Closing balance as at the end of the reporting period	48,068	47,962	

	For the reportin	g period ended	
	31/12/2014 31/12		
Interest income from the rent of investment real property	2,623	2,848	
Costs resulting from repair and maintenance, including:	74	155	
costs that brought rental income during the period	71	148	
costs that did not bring rental income during the period	3	7	

The Group 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 properties as at 31 December 2014 was determined based on appraisal reports prepared by independent surveyors.

Valuation of developed properties was made with investment income approach using the techniques of simple capitalisation. Analysis of unobservable data was performed, which covers items such as the rent amount for the rental of commercial space in a given area (obtainable rate of monthly rent in the amount of PLN 49/sq. m and PLN 38/sq. m respectively was established) and capitalisation rate. Since no similar properties have been found on the market for which the known net operating income would allow the calculation of yields, it has been determined based on the capital market (the capitalisation rate adopted was 11.02% respectively).

To determine the fair value of land, the comparative approach using average price adjustment has been applied. 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 2014, the hierarchy of fair value was as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2014
Property in Wrocław	-	-	29,857	29,857
Property in Bydgoszcz	-	-	18,211	18,211

20. **Intangible assets**

	As at		
	31/12/2014	31/12/2013	
Patents and licenses	447	434	
Other intangible assets	15,279	15,284	
Completed development works	840	914	
Investments in progress	-	-	
Total equity	16,566	16,632	

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as at 01 January 2014	434	15,284	914	-	16,632
Increase	154	-	400	-	554
Decrease	-	-	-	-	-
Depreciation write-down for the period	(141)	(5)	(474)	-	(620)
Reclassification of intangible assets	-	-	-	-	-
Elimination of redemption as a result of the sale	-	-	-	-	-
Elimination of redemption as a result of the reclassification	-	-	-	-	-
Net value as at 31 December 2014	447	15,279	840	-	16,566
As at 01 January 2014 2014					
Gross amount	5,415	16,570	1,257	-	23,242
Accumulated depreciation and revaluation					
impairment write-down	(4,981)	(1,286)	(343)	-	(6,610)
Net value	434	15,284	914	-	16,632
As at 31 December 2014					
Gross amount	5,569	16,570	1,657	-	23,796
Accumulated depreciation and revaluation					
impairment write-down	(5,122)	(1,291)	(817)	-	(7,230)
Net value	447	15,279	840	-	16,566

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as at 1 January 2013	213	15,436	427	18	16,094
Increase	306	14	733	132	1,185
Decrease	-	-	-	(150)	(150)
Depreciation write-down for the period	(85)	(166)	(246)	-	(497)
Reclassification of intangible assets	-	-	-	-	-
Elimination of redemption as a result of the sale	-	-	-	-	-
Elimination of redemption as a result of the reclassification	-	-	-	-	-
Net value as at 31 December 2013	434	15,284	914	0	16,632
As at 1 January 2013					
Gross amount	5,109	16,556	524	18	22,207
Accumulated depreciation and revaluation					
impairment write-down	(4,896)	(1,120)	(97)	-	(6,113)
Net value	213	15,436	427	18	16,094
As at 31 December 2013					
Gross amount	5,415	16,570	1,257	-	23,242
Accumulated depreciation and revaluation	•	,	,		,
impairment write-down	(4,981)	(1,286)	(343)		(6,610)
Net value	434	15,284	914	0	16,632

As at 31 December 2014, intangible assets at the Group's disposal amount to PLN 16,566 thousand ((As at 31 December 2013: PLN 16,632 thousand). They consisted of the amounts shown above. As at 31 December 2014 and 31 December 2014, no intangible assets classified as intended for sale occurred.

Expenditure on research and development

In the reporting period ended 31 December 2014, the Group made expenditure on research and development recognised in the profit and loss account in the amount of PLN 717 thousand (in 2013: PLN 990 thousand).

Description of securities established on intangible assets:

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

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.

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 - 13.43% for 2014

The discount rate - 13.5%-15.0% over the projection period

The rate of income tax -19%

Period of financial projections - from 01 January 2015 to 31 December 2018, plus the estimate of residual value.

For the forecast of Forte brand sales revenues for 2015, i.e. the period covered with the most up-to-date budget, 10% 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: licence fee rate, the discount rate, and the growth rate after 31 December 2018.

Non-current assets held for sale 21.

As at 31 December 2014, the Group did not have non-current assets classified as held for sale.

22. Long-term financial assets

	As at		
	31/12/2014	31/12/2013	
Long-term financial assets			
Shares and interest in subsidiaries non-listed and not covered by consolidation	329	341	
Other shares and interest	3	3	
Other	-	-	
Other long-term financial assets	332	344	
Long-term receivables	71	80	
Borrowings to related entities	-	403	
Other	61	61	
		200	
	464	888	

Shares and interest in subsidiaries excluded from consolidation are valuated at historical cost less the possible impairment writedowns Financial data obtained from subsidiaries whose shares were not covered by revaluation write-downs do not indicate the impairment of share value, and therefore tests for the impairment of shares in subsidiaries were not conducted.

Shares and interest in subsidiaries not covered by consolidation as at 31 December 2014:

Company name	Type of relationship	Takeover date/significant influence	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
Forte Baldai UAB	Subsidiary	16/04/1999	164	-	164
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 Sari	Subsidiary	17/11/2005	399	399	-
Forte Mobila S.r.l.	Subsidiary	12/09/2008	12	12	-
TM Handel Sp. z o.o.	Subsidiary	12/05/2008	-	-	
TOTAL			740	411	329

Shares and interest in subsidiaries not covered by consolidation as at 31 December 2013:

Company name	Type of relationship	Takeover date/significant influence	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
Forte Baldai UAB	Subsidiary	16/04/1999	164	-	164
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 Sari	Subsidiary	17/11/2005	399	399	-
Forte Mobila S.r.l.	Subsidiary	12/09/2008	12	-	12
TM Handel Sp. z o.o.	Subsidiary	12/05/2008	-	-	
TOTAL			740	399	341

The Group's shares in other entities are as follows:

for the year ended 31 December 2014 and 31 December 2013

Company name	Registered office	Scope of activity	Carrying value of shares
Meblopol Sp. z o.o.	Poznań	Trade	3
TOTAL			3

subsidiaries percentage share of assets, revenue and results of excluded from consolidation as at 31 December 2014 was as follows:

Company name	Type of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0.04%	0.03%	0.15%
Forte SK S.r.o.	Subsidiary	0.11%	0.22%	0.48%
Forte Furniture Ltd.	Subsidiary	0.07%	0.06%	0.11%
Forte Iberia S.l.u.	Subsidiary	0.02%	0.09%	-0.15%
Forte Mobilier Sari	Subsidiary	0.01%	0.04%	0.25%
Forte Mobila S.r.l.	Subsidiary	0.02%	0.02%	0.23%
TM Handel Sp. z o.o.	Subsidiary	0.65%	1.55%	0.31%

The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at : 31 December 2013 was as follows:

Company name	Type of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0.06%	0.04%	0.15%
Forte SK S.r.o.	Subsidiary	0.13%	0.30%	0.60%
Forte Furniture Ltd.	Subsidiary	0.06%	0.07%	0.10%
Forte Iberia S.I.u.	Subsidiary	0.04%	0.11%	-0.01%
Forte Mobilier Sari	Subsidiary	0.04%	0.05%	-0.04%
Forte Mobila S.r.l.	Subsidiary	0.09%	0.04%	-0.47%
TM Handel Sp. z o.o.	Subsidiary	0.86%	2.70%	-0.11%

The percentage share means a share of assets, revenue and results of subsidiaries excluded from . consolidation in respective items of the consolidated financial statements prior to exclusions

23. **Inventory**

	As at			
	31/12/2014	31/12/2013		
Materials (at acquisition price)	52,104	38,043		
Production in progress (at manufacturing price) Finished products:	22,761	19,908		
End products:				
According to acquisition price/manufacturing price	70,739	53,177		
According to net realisable value	70,115	52,527		
Goods	4,033	2,609		
Total inventories, at the lower of the two: acquisition price (cost				
of construction) and realisable value.	149,013	113,087		

Changes in inventory revaluation write-down were as follows:

	Changes		
	2014	2013	
Revaluation write-down as at 1 January	5,450	3,294	
Increase	376	3,262	
Decrease	(2,792)	(1,106)	
Revaluation write-down as at 31 December	3,034	5,450	

Calculation of inventory revaluation write-downs recognised in the books of the Group was performed 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 Group's warehouse have been subjected to a comprehensive analysis. 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 Group, 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 date the value of revaluation write-down on inventories should amount to PLN 3,034 thousand Within 2013 year: PLN 5,450 thousand).

Impairment write-down on inventories has been recognized in the profit and loss account under the item of the cost of sales and other operating costs

Bank loan security was established on inventories of finished goods, work in progress, goods and materials, with a value of PLN 25,779 thousand. Within 2013 year: PLN 22,898 thousand).

24. Trade and other receivables

	As at		
	31/12/2014	31/12/2013	
Trade receivables from related parties	2,814	3,917	
Receivables under supplies and services from other entities	116,575	77,161	
Other receivables from related parties	-	-	
Other budget receivables	23,800	17,815	
Other receivables from third parties	850	242	
Total (net) receivables	144,039	99,136	
Revaluation write-down on receivables	3,196	2,984	
Gross receivables	147,235	102,119	
Income tax receivables	1	35	

Receivables under supplies and services with repayment period outstanding after balance sheet day (gross):

	As at			
	31/12/2014	31/12/2013		
a) up to 1 month	69,687	46,586		
b) over 1 month and up to 3 months	18,764	16,230		
c) over 3 months and up to 6 months	254	58		
d) over 6 months and up to 1 year	-	32		
e) over 1 year	67	51		
f) overdue receivables	33,813	21,105		
Total trade receivables (gross)	122,585	84,062		
Revaluation write-down on receivables	(3,196)	(2,984)		
Total trade receivables (net)	119,389	81,078		

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

	1	\s at
	31/12/2014	31/12/2013
a) up to 1 month	24,275	16,216
b) over 1 month and up to 3 months	5,893	1,415
c) over 3 months and up to 6 months	474	283
d) over 6 months and up to 1 year	623	378
e) over 1 year	2,548	2,812
Total overdue trade receivables (gross)	33,813	21,104
Revaluation write-down on receivables	(3,022)	(2,906)
Total overdue trade receivables (net)	30,791	18,198

For terms and conditions of related party transactions, refer to note 38. of additional notes and explanations.

Trade receivables are non-interest bearing and are payable on 1 to 3-month terms.

The Group has a policy to sell only to verified customers. Owing to that, as the management believes, there is no additional credit risk that would not be covered by the doubtful debt revaluation write-down related to trade receivables of the Group.

As at 31 December 2014, the Company's trade receivables in the amount of PLN 3,196 thousand (As at 31 December 2013: PLN 2,984 thousand) were considered uncollectible and therefore subject to impairment write-down.

Revaluation write-down on receivables was recognized in the profit and loss account under the item of other operating costs.

Changes in revaluation write-downs on receivables were as follows:

	Changes		
Revaluation write-downs on receivables	2014	2013	
Revaluation write-down as at 1 January	2,984	1,667	
Foreign exchange differences	3	-	
Creation	684	1,642	
Used	(244)	(30)	
Release	(231)	(295)	
Revaluation write-down as at 31 December	3,196	2,984	

The table below lists trade receivables which were overdue as at 31 December 2014 and 31 December 2013:

	Total equity	Not overdue	Overdue, but recoverable			
			< 30 days	30-90 days	90-180 days	> 180 days
31 December 2014	119,389	88,598	24,275	5,893	469	154
31 December 2013	81,078	62,957	16,216	1,415	283	207

25. Receivables from to derivative instruments of financial instruments

	A	ls at
	31/12/2014	31/12/2013
Fair value of derivative instruments (zero-cost option strategies)	4,852	9,318
Result on option settled in January 2014	-	506
	4,852	9,824

26. **Deferrals**

		As at
Deferrals	31/12/2014	31/12/2013
Property and motor insurance	704	719
Fairs	105	318
Research and development	1,210	570
Business trips	28	87
Other	887	159
Total deferrals	2,934	1,853

27. Other short-term financial assets

		As at
Other short-term financial assets	31/12/2014	31/12/2013
Borrowings granted	41	657
Interest on loans granted	-	3
Other financial assets	-	71
Other short-term financial assets, in total	41	731

For details of loans granted to subsidiaries, refer to point 38 of additional notes and explanations.

28. Cash and cash equivalents

	ı	As at
Cash and cash equivalents	31/12/2014	31/12/2013
Cash at bank and in hand	13,273	18,409
Other cash (overnight deposits and deposits under three months)	42,470	57,710
Total cash and cash equivalents	55,743	76,119

Cash and cash equivalents at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 31 December 2014 is PLN 55,743 thousand 31 December 2013 PLN 76,119 thousand).

As at 31 December 2014, the Group did not hold cash of limited disposability (as at 31 December 2013: did not occur).

29. Share capital and supplementary/reserve capital

29.1. Foreign exchange differences on translation of foreign operations

	A	s at
Share capital (shares in units)	31/12/2014	(31.12) 2013
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 2014 and 31 December 2012 there were no changes in the initial capital of the Parent Company.

Nominal value of shares

All issued shares have a nominal value of PLN 1 and have been fully paid or covered by 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 SARL	7,763,889	32.69%	32.69%
(2)	MetLife Otwarty Fundusz Emerytalny (MetLife OFE)	2,975,474	12.53%	12.53%
(3)	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,324,480	5.58%	5.58%
(4)	ING Otwarty Fundusz Emerytalny	1,200,000	5.05%	5.05%

29.2. **Share premium**

In the financial year ended 31 December 2014 there were no events which would lead to a change in the share premium above their nominal value (31 December 2013: did not occur).

Other capital 29.3.

Revaluation reserve from financial instruments

	As a	t
	31/12/2014	31/12/2013
Opening balance of accumulated result on financial instruments hedging cash flows	7,548	7,249
Amount recognised in equity in the reporting period due to hedging transactions	(39)	3,777
Amount recognised in profit and loss account due to:		
- ineffectiveness of the transactions concluded	(1,832)	(551)
- conclusion of transactions subject to hedging	(2,595)	(2,857)
- discontinuance of hedge accounting	-	-
Deferred income tax	843	(70)
Closing balance of accumulated result on financial instruments hedging cash flows	3,925	7,548

Other reserve and supplementary capital

	Statutory supplementary capital	Other reserve capital	Total
As at 01 January 2014	1,250	145,553	146,803
Write-down on gains for investments and the financing of the current activities			
of the Group	-	21,009	21,009
As at 31 December 2014	1,250	166,562	167,812

	Statutory supplementary capital	Other reserve capital	Total equity
As at 1 January 2013	1,250	136,244	137,494
Write-down on gains for investments and the financing of the current activities			
of the Group	-	9,309	9,309
As at 31 December 2013	1,250	145,553	146,803

According to the requirements of the Code of Commercial Companies, the Parent Company is obliged to establish supplementary capital in order to cover losses. At least 8% of profit for the fiscal year reported in the Parent Company's individual financial statements is allocated to the supplementary capital until the capital reaches at least one third of the Parent Company's share capital. The General Meeting of Stockholders takes decisions about the use of the supplementary capital; however a part of the reserve capital in the amount of one third of the initial capital may be only used to cover the loss reported in the individual financial statements of the Parent Company, and it is not subject to distribution to other purposes.

On the basis of the resolutions of the Parent Company's General Meeting reserve capital can be used in particular to increase the share capital or for the payment of dividends to shareholders.

29.4. **Retained earnings**

		As at
	31/12/2014	31/12/2013
Net profit	75,168	57,856
Undistributed profit	33,358	32,492
	108,526	90,348

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

There were no restrictions regarding the payment of dividends as at 31 December 2014 (31 December 2013: did not occur).

29.5. **Minority share**

		Changes
	2014	2013
At 1 January	3,711	3,649
Dividend payout to to non-controlling shareholders	(1)	(2)
Profit share of the subsidiaries	(16)	64
Inclusion of an entity to consolidation	-	-
As of 31 December	3,694	3,711

29.6. **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 the 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 the years 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 Group'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 '000 PLN). Given the information outlined below financial statements present fairly the financial position and cash flows of the Group, and is in compliance with IFRS.

50,273 60,277 (10,004)
,
50,273
(8,450)
25,758
17,308
-

30. **Interest-bearing loans and borrowings**

Short-term	Nominal interest	Loan currency	31/12/2014	31/12/2013
	rate %			
mBank S.A. — investment loan				
in the amount of 2,400 thousand EUR-short-	1 M EURIBOR	31/12/2018	2,220	-
term portion				
	depending on the			
mBank S.A. — investment loan	currency used 1M	15/12/2015	4,461	-
in the amount of 2,400 thousand EUR-short- term portion	EURIBOR or 1M LIBOR			
PKO BP S.A. — investment loan	LONDON OF THE LIDON			
in the amount of 3,000 thousand	1 M WIBOR	30 June 2014	-	300
Short-term portion:				
PKO BP S.A. — investment loan				
in the amount of 3,550 thousand EUR-short- term portion	1 M EURIBOR	31 March 2014	-	3,681
PKO BP S.A. — investment loan				
in the amount of 3,500 thousand EUR-short-	1 M EURIBOR	22/12/2018	3,141	-
term portion			ŕ	
HSBC Bank Polska S.A. — investment loan				
in the amount of 3,500 thousand EUR-short-	3 M EURIBOR	by 19/06/2015	-	5,278
term portion			0.555	0.075
Total short-term			9,822	9,259

Long-term	Nominal interest rate %	Loan currency	31/12/2014	31/12/2013
PKO BP S.A. – investment loan in the amount of 3,550 thousand EUR-long-term portion	IM EURIBOR	by 31 March 2014	-	1,840
PKO BP S.A. – working capital credit in the amount of. PLN 45,000 thousand Long-term portion:	depending on the currency used IM WIBOR or IM EURIBOR	19/12/2016	34,098	24,883
ING Bank Śląski S.A. – investment loan in the amount of PLN 40,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31/10/2016	36,599	28,816

PKO BP S.A. — investment loan in the amount of 3,500 thousand EUR-long-term portion mBank S.A. — investment loan	1 M EURIBOR	22/12/2018	9,322	-
in the amount of 2,400 thousand EUR-long- term portion	1 M EURIBOR	by 31/12/2018	6,659	-
HSBC Bank Polska S.A. — investment loan in the amount of 3,500 thousand EUR-long-term portion	3 M EURIBOR	by 19/06/2015	-	2,639
Total long-term			86,678	58,178

Bank loan securities as at	31 December 2014
PKO BP S.A. — investment loan in the amount of 3,500 thousand EUR	 An assignment of rights from the insurance policy Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. — investment loan in the amount of 2,400 thousand EUR	registered pledge on purchased machines and devices
PKO BP S.A. — working capital loan in the amount of 45,000 thousand	 Registered pledge on inventory in the factory in Hajnówka with the value of PLN 25,779 thousand, together with the assignment of rights under the insurance contract 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. 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 loan in the amount of PLN 40,000 thousand	 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. 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.
mBank S.A. — working capital loan in the amount of 1,000 thousand EUR	 Blank promissory note issued by the Borrower with the Borrower's promissory note declaration.

With the nominal interest rate the margin of the bank should be additionally taken into account, which ranges between: 0.80% -1.90% for loans taken in USD

On 24 June 2014 the Group concluded with mBank S.A. an investment loan agreement in the amount 2,400 thousand EUR for the financing of purchase of production machines and devices. The loan repayment will occur in 16 quarterly installments by 31 December 2018.

On 12 November 2014 the Group signed an annex with ING Bank Śląski S.A. to the loan agreement amending the amount of loan on current account from PLN 35,000 thousand to PLN 40,000 thousand and expanding the repayment term to 31.10.2016.

On 15 December 2014 the Group concluded with mBank S.A. an annex to the multi-currency loan agreement on current account of 20.12.2013 extending the period of loan use to 15.12.2015.

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

Currency	As	at
	31/12/2014	31/12/2013
PLN	-	300
EUR	85,271	66,521
USD	11,229	616
	96,500	67,437

31. Provisions and accruals

31.1. Change in provisions

Provision for employee benefits after the employment period has been described in note 17.2.

31.2. Deferred revenues and accruals

		As at
Long-term accruals	31/12/2014	(31.12) 2013
Long-term accrued/deferred income due to: Subsidy to purchased tangible fixed assets	61	86
Short-term accruals	31/12/2014	(31.12) 2013
Accrued/deferred expenses due to:		
Commissions	1,786	1,294
Bonuses for customers	12,023	8,451
Bonuses	5,169	1,500
Leaves	2,561	2,403
Balance sheet audit costs	56	159
External services	4,121	2,995
Other costs	61	111
Short-term provisions:		
Short-term provision for benefits after the employment period	167	58
Guarantee repairs	1,571	973
Other Provisions	281	-
Accrued/deferred income due to::		
Subsidy to purchased tangible fixed assets	24	24
	27,820	17,968

The Group creates a provision for the costs of expected repairs and returns of products sold during the last year based on the level of warranty repairs and returns recorded in previous years. Assumptions used to calculate the provision for warranty repairs and returns are based on current sales levels and currently available information about returns and 1-year guarantee and warranty period for all sold products.

As at the balance sheet date ended 31 June 2014, the Group created a provision for the bonus for the Management Board in the amount of PLN 5,169 thousand.

The amount of PLN 12,023 thousand is a provision created by the Group for future bonuses payable due to sales realised in 2014 to customers from, above all, the German and Austrian markets. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 4,121 consist primarily of marketing and disposal costs.

32. Trade and other liabilities (short-term)

	A	s at
	31/12/2014	(31.12) 2013
Liabilities arising from supplies and services	43,526	37,441
Towards related entities	705	590
To other entities	42,821	36,851
Liabilities from tax, customs, social insurance and other		
benefits	4,557	5,338
VAT	8	5
Personal income tax	938	1,157
Social insurance	3,397	3,420
Other	214	756
Other liabilities		
Payroll liabilities to employees	10,070	8,954
Capital commitments	1,315	1,667
Other liabilities	1,363	1,320
	60,831	54,720
Liabilities relating to corporate income tax	12,669	10,963
Total liabilities	73,497	65,683

Terms and conditions of the above financial liabilities

For terms and conditions of related party transactions, refer to point 38 of additional notes and explanations. Trade liabilities do not bear interest and they are usually payable within 7 to 45 days. Other liabilities do not bear interest and are payable within 1 month.

The amount resulting from the difference between the liabilities and receivables from taxes on goods and services is paid to the relevant tax authorities on a monthly basis.

Interest payable is normally settled at maturity periods throughout the financial year.

33. **Contingent liabilities**

On 27 March 2013, the Parent 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 granted for BRE Bank S.A. (currently mBank S.A.) for the period to 30 June 2018. Balance of loans as at 31 December 2014 amounts to PLN 4,553 thousand (31 December 2013: PLN 6,310 thousand

34. **Court cases**

There are no court proceedings whose total value constitutes at least 10% of the Group's own funds.

Financial instruments 35.

35.1. Carrying value

		Clas	sification of	financial instru	uments according	Classification of financial instruments according to IAS 39 as at 31 December 2014	December 201	4	
	Financial assets held to maturity	Financial assets at fair value through profit or loss,	financial assets available for sale.	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	Total
Financial fixed assets:			m	ľ					ო
Financial assets	1	1	3	1	•		ı	ı	3
Financial current assets:	I	•	•	175,330	•		4,852	•	180,182
Receivables from supplies and services as well as other receivables	ı	1	ı	119,546	•		•	•	119,546
Receivables from derivative instruments	ı	•	•	'	•		4,852	1	4,852
Cash and cash equivalents	ı	1	'	55,743	•		1	ı	55,743
Other financial assets	I	1	ı	41	•		•	ı	41
Long-term financial liabilities:	ı	1	1	ı	•	(86,678)	'	(2,597)	(89,275)
Interest-bearing loans and borrowings	Ī	1		1	•	(86,678)	ı	ı	(86,678)
Financial liabilities due to lease -	Ī	1		1	•		ı	(2,597)	(2,597)
Other financial liabilities	Ī	ı	I	1	•	1	ı	1	ı
Short-term liabilities	1	•	1	'	•	(55,381)	•	(1,219)	(26,600)
Liabilities arising from supplies and services as well as other liabilities	•	•	ı	•	•	. (45,559)	•	•	(45,559)
Liabilities related to derivative instruments	ı	1	1	'	•		•	1	1
Current portion of loans and borrowings	ı	1	ı	'	•	(9,822)	1	1	(9,822)
Financial liabilities due to lease	1	1	•	-	•		1	(1,219)	(1,219)
	•	•	3	175,330	•	(142,059)	4,852	(3,816)	34,310

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,	financial assets available for sale.	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from the scope of IAS 39	Total
Financial fixed assets:	ľ		က	403		•	1		406
Financial assets	•		С	403	•	1	1	1	406
Financial current assets:			1	158,171	•	1	9,824	1	167,995
Receivables from supplies and services as well as other receivables			•	81,321	•	ı	•	•	81,321
Receivables from derivative instruments			•	'	•	1	9,824	ı	9,824
Cash and cash equivalents			ı	76,119	•	ı	1	ı	76,119
Other financial assets			ı	731	•	1	'	ı	731
Long-term financial liabilities:	•		1	ı	•	(58,178)	'	(2,115)	(60,293)
Interest-bearing loans and borrowings	•		ı	ı	•	(58,178)	ı	ı	(58,178)
Financial liabilities due to lease -	•		ı	ı	•	ı	ı	(2,115)	(2,115)
Other financial liabilities	•		ı	ı	•	ı	ı	ı	1
Short-term liabilities	•	•	•	'	•	(49,688)	•	(756)	(50,444)
Liabilities arising from supplies and services as well as other liabilities			•	•	•	(40,429)	•	•	(40,429)
Liabilities related to derivative instruments	•	1	1	1	•	ı	1	ı	ı
Current portion of loans and borrowings	•	1	1	1	•	(9,259)	1	ı	(6,259)
Financial liabilities due to lease	•	1	1	1	'	ı	ı	(756)	(756)
	•		8	158,574	ľ	(107,866)	9,824	(2,871)	57,664

35.2. Fair value

	As at 31 December 2014		As at 31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial fixed assets	3	3	406	406
Receivables from derivative instruments	4,852	4,852	9,824	9,824
Cash and cash equivalents	55,743	55,743	76,119	76,119
Other current financial assets 731	41	41	731	731
Interest-bearing loans and borrowings	(86,678)	(86,678)	(58,178)	(58,178)
Financial liabilities due to lease	(2,597)	(2,597)	(2,115)	(2,115)
Other long-term financial liabilities	-	-	-	-
Liabilities related to derivative instruments	-	-	-	-
Current portion of loans and borrowings	(9,822)	(9,822)	(9,259)	(9,259)
Financial liabilities due to lease	(1,219)	(1,219)	(756)	(756)

The Group does not compare the carrying amounts and fair values of the classes of financial instruments that are of short-term receivable or liability nature.

Shares and interest included in the available-for-sale financial assets relate to non-quoted entities with regard to which there is no possibility of determining their actual fair value using alternative methods are valuated at the purchase price adjusted by any impairment write-downs.

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 D	ecember 2014	As at 31 December 2013		
	Level 2	Level 3	Level 2	Level 3	
Financial fixed assets	-	3	-	3	
Receivables from derivative instruments	4,852	-	9,824	-	
Liabilities related to derivative instruments	-	-	-	-	
	4,852	3	9,824	3	

Methods of determining fair value of financial instruments

Level I

In the reporting period ended 31 December 2014 the Group had no financial instruments measured at fair value classified to level I (as at 31 December 2013: none).

Level II

For level II the Group classifies receivables or liabilities from derivative instruments. Changes in fair value of derivatives that meet hedge accounting criteria include, in part, effective for the Group's equity and the ineffective portion 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 recognized in the profit and loss account for the current period.

Fair value of derivatives is determined using valuation models for financial instruments and publicly available exchange rates (exchange rate for EUR - 4.2623) and interest rates (IM -12 M WIBID, 1M-12M EURIBOR). Indicators of exchange rates volatility are sourced from Reuters and are as follows:

EUR/PLN PUT	-variability plane December 2014	as at the e	nd of	EUR/PLN CALL -variability plane as at the end December 2014			end of
		ATM	ATM			ATM	ATM
Tenor	Maturity	Bid	Ask	Tenor	Maturity	Bid	Ask
DD	02/01/2015	5.25%	7.40%	DD	02/01/2015	5.25%	7.40%
3 Days	05/01/2015	5.25%	7.40%	3 Days	05/01/2015	5.25%	7.40%
1 Week	07/01/2015	5.25%	7.40%	1 Week	07/01/2015	5.25%	7.40%
2 Weeks	14/01/2015	5.67%	7.51%	2 Weeks	14/01/2015	5.67%	7.51%
3 Weeks	21/01/2015	6.10%	7.63%	3 Weeks	21/01/2015	6.10%	7.63%
1 Month	02/02/2015	6.83%	7.83%	1 Month	02/02/2015	6.83%	7.83%
2 Months	02/03/2015	6.78%	7.78%	2 Months	02/03/2015	6.78%	7.78%
3 Months	31/03/2015	6.85%	7.85%	3 Months	31/03/2015	6.85%	7.85%
4 Months	30/04/2015	6.89%	7.89%	4 Months	30/04/2015	6.89%	7.89%
5 Months	01/06/2015	6.94%	7.94%	5 Months	01/06/2015	6.94%	7.94%
6 Months	30/06/2015	6.98%	7.98%	6 Months	30/06/2015	6.98%	7.98%
7 Months	31/07/2015	7.01%	8.01%	7 Months	31/07/2015	7.01%	8.01%
8 Months	31/08/2015	7.05%	8.05%	8 Months	31/08/2015	7.05%	8.05%
9 Months	30/09/2015	7.09%	8.09%	9 Months	30/09/2015	7.09%	8.09%
10 Months	02/11/2015	7.13%	8.13%	10 Months	02/11/2015	7.13%	8.13%
11 Months	30/11/2015	7.16%	8.16%	11 Months	30/11/2015	7.16%	8.16%
1 Year	31/12/2015	7.20%	8.20%	1 Year	31/12/2015	7.20%	8.20%
1Y 6M	30/06/2016	7.47%	8.33%	1Y 6M	30/06/2016	7.47%	8.33%
2 Years	02/01/2017	7.56%	8.56%	2 Years	02/01/2017	7.56%	8.56%
3 Years	02/01/2018	7.80%	9.10%	3 Years	02/01/2018	7.80%	9.10%

The Company uses Garman-Kohlhagen model for the valuation of European options. Exchange rates at which currency options are executes 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 situation, these shares are valued at the purchase price net of impairment write-downs.

	As a	at
	31/12/2014	31/12/2013
As of the beginning of the period	3	3
Revaluation write-downs	-	-
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 related to financial instruments recognised in the profit and loss account

Income, cost	s, profit and los	Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2014	interest-rela	ited income an	d costs) as at 31 D	ecember 2014		
	Financial assets held to maturity	Assets/financial liabilities at fair value through profit or loss	financial assets available for sale.	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	Total
Income/(expense) due to interest	ľ	ľ	'	1,650	(842)	ľ	(68)	719
Foreign exchange profits/(losses)	'	1	ı	2,703	(3,938)	•	ı	(1,235)
(Establishment)/reversal of revaluation writedowns	ı	•	1	(274)	,	'	•	(274)
Dividends	ı	1	26	1	1	•	ı	26
Profits/(losses) on sale/execution of financial instruments	ı	•	'	ı	1	•	1	•
Adjustment of sales due to hedging transactions				ı	•	2,595	1	2,595
Profits/(losses) due to the valuation and execution of derivatives in the period		1		•	•	1,832	•	1,832
Net profit(loss) total	'	•	26	4,079	(4,780)	4,427	(68)	3,663

Total	71	92	(1285)	25	1	2,857	552	2,312
Financial liabilities excluded from the scope of IAS 39	(68)	ı	1	ı	ı		1	(88)
		1	1		1	2,857	552	3,409
costs) as at 31 Dece Financial liabilities He valued at ins amortised cost	(1,012)	(381)	ı	1	ı		ı	(1,393)
ted income and cox. Loans Finand and value receivables am	1,172	473	(1,285)	٠	ı		ı	360
interest-relate financial L assets a available for n sale.	1	•	•	25	1	ı	ı	25
Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2013 Financial Assets/financial financial Loans Financial liabilities Hedging assets held to liabilities at fair value assets and valued at instruments maturity through profit or loss available for receivables amortised cost sale.	1	•	1	1	ı	•	ı	-
s, profit and loss Financial assets held to maturity	•	•	ı	1	ı	ı	ı	
Income, cost	Income/(expense) due to interest	Foreign exchange profits/(losses)	(Establishment)/reversal of revaluation writedowns	Dividends	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 in the period	Net profit(loss) total

Financial risk management objectives and policies 36.

Apart from derivatives, the Group's principal financial instruments comprise bank loans, bonds, cash, treasury bills and shortterm deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group 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 zero-cost option strategies. The purpose of these transactions is to manage interest rate risk and currency risk arising in the course of business activity of the Group.

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The accounting policies of the Group relating to derivatives are set out in note 9.19.

36.1. Interest rate risk

The Group'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 Group, i.e. loans and obligations under financial 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 0.25 percentage point, as well as increase for LIBOR - by 0.80 percentage point. (2013: WIBOR- an increase by 0.50 percentage points; EURIBOR decrease by 0.10 percentage point, LIBOR - increase by 0.05 percentage point)

The Group 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 floating interest rate. No impact has been shown on the Group's equity.

	Increase in percentage points	Impact on gross financial result
Year ended on 31.12.2014		_
PLN	-0.25%	(3)
EUR	-0.10%	(80)
USD	0.80%	54
Year ended on 31.12.2013		
PLN	0.50%	(135)
EUR	-0.10%	33
USD	0.05%	(1)

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

31 December 2014 - variable interest rate

	<1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	9,822	70,697	15,981	-	96,500
Financial lease	1,219	1,201	1,396	-	3,816

31 December 2013 - variable interest rate

	<1 year	1-2	2-5	> 5	Total
		years	years	years	
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2.871

The effective interest rate for loans taken by the Group as at 31 December 2014 was 0.9109 % (in 2013: 1.3871 %).

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 Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Currency risk

The Group 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. Approximately 79% of the Group's sales transactions are denominated in currencies other than the functional currency of the operating unit performing the sales.

The Group 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 reasonably possible fluctuations in the EUR, GBP and USD (in total) assuming that other factor 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 2014 an increase was assumed of all the mentioned exchange rates by. 5% (2013: increase of 5%) and a decrease of 5% over the year (2013: decrease of 5%)

	Percentage changes in rates	Impact on gross financial result	Impact on equity
31 December 2014			
Trade receivables	5%	5,476	-
Loans granted	5%	· -	-
Cash	5%	254	-
Hedging instruments	5%	-	(18,898)
Trade liabilities	5%	(680)	-
Bank loans	5%	(4,825)	-
Financial lease	5%	(104)	-
Total influence of increase of the exchange rate		121	(18,898)
Trade receivables	-5%	(5,476)	-
Loans granted	-5%	-	-
Cash	-5%	(254)	-
Hedging instruments	-5%	-	23,384
Trade liabilities	-5%	680	-
Bank loans	-5%	4,825	-
Financial lease	-5%	104	-
Total influence of the decrease of exchange rate		(121)	23,384

	Percentage changes in rates	Impact on gross financial result	Impact on equity
31 December 2013			
Trade receivables	5%	3,618	-
Loans granted	5%	34	-
Cash	5%	776	-
Hedging instruments	5%	-	(9,615)
Trade liabilities	5%	(1,001)	-
Bank loans	5%	(3,453)	-
Financial lease	5%	(136)	
Total influence of increase of the exchange rate		(162)	(9,615)
Trade receivables	-5%	(3,618)	-
Loans granted	-5%	(34)	-
Cash	-5%	(776)	-
Hedging instruments	-5%	-	13,444
Trade liabilities	-5%	1,001	-
Bank loans	-5%	3,453	-
Financial lease	-5%	136	
Total influence of the decrease of exchange rate		162	13,444

Currency risk hedging

The basic method of managing the currency risk hedging strategies use derivative instrument. To hedge future foreign currency transactions, the Company uses symmetrical option strategies.

The impact of derivatives on the statement of financial position.

As per 31 December 2014 the fair value of open items within derivative instruments amounted to PLN 4,852 thousand. Their total volume was incorporated as receivables on account of derivative financial instruments.

The impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2014, the result on derivatives amounted to PLN 4,427 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting (status as at 31 December 2013 PLN 3,409 thousand).

The impact of derivatives on the result of the period

	01.01 31.12.2013	01.01 31.12.2013
Influence on sales revenue	2,595	2,857
Impact on other operating revenue/costs, of which:	1,832	552
- due to the execution of derivatives in the period	1,884	500
- due to the valuation of derivatives in the period	(52)	52
Proceeds from derivatives on the result of the period, in total:	4,427	3,409

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 8.20. them, changes in fair value of hedging instruments include, in part, the effective equity of the Parent Company and the ineffective portion 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 date.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 29.3 of additional explanatory notes.

Fair value foreign exchange contracts

As at 31 December 2014, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 4,852 thousand and as the effective value it was recognised in total in reserves from revaluation and receivables from derivative financial instruments.

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..

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	9,000	Put Option	03.2014	07.2015-12.2015	4.2600	ING Bank Śląski S.A.	742
EUR	9,000	Call Option	03.2014	07.2015-12.2015	4.7305	ING Bank Śląski S.A.	(151)
EUR	6,000	Put Option	06.2014	05.2016-06.2016	4.2000	ING Bank Śląski S.A.	506
EUR	6,000	Call Option	06.2014	05.2016-06.2016	4.6135	ING Bank Śląski S.A.	(451)
EUR	3,000	Put Option	08.2014	07.2016	4.2500	ING Bank Śląski S.A.	321
EUR	3,000	Call Option	08.2014	07.2016	4,6412	ING Bank Śląski S.A.	(233)
EUR	7,500	Put Option	12,2014	01.2016-11.2016	4,3000	ING Bank Śląski S.A.	935
EUR	7,500	Call Option	12,2014	01.2016-11.2016	4,5000	ING Bank Śląski S.A.	(860)
Total							809
EUR	8,000	Put Option	06,2013	05.2015-06.2015	4.3000-4.3500	mBank S.A.	755
EUR	8,000	Call Option	06,2013	05.2015-06.2015	4.7530-4.8610	mBank S.A.	(10)
EUR	4,000	Put Option	08,2013	07,2015	4,2600	mBank S.A.	277
EUR	4,000	Call Option	08,2013	07,2015	4,8000	mBank S.A.	(14)
EUR	14,500	Put Option	01,2014	10.2015-12.2015	4.2200-4.2710	mBank S.A.	1,163
EUR	14,500	Call Option	01,2014	10.2015-12.2015	4.5870-4.5900	mBank S.A.	(604)
EUR	7,000	Put Option	08,2014	05.2016-07.2016	4,2300	mBank S.A.	678
EUR	7,000	Call Option	08,2014	05.2016-07.2016	4,6000	mBank S.A.	(581)
EUR	6,000	Put Option	10,2014	08.2016-09.2016	4.2200-4.2500	mBank S.A.	628
EUR	6,000	Call Option	10,2014	08.2016-09.2016	4,5440	mBank S.A.	(698)
EUR	15,000	Put Option	11,2014	10.2016-12.2016	4,2300	mBank S.A.	1,620
EUR	15,000	Call Option	11,2014	10.2016-12.2016	4,6100	mBank S.A.	(1,712)
EUR	10,500	Put Option	12,2014	01.2017-03.2017	4,3000	mBank S.A.	1,476
EUR	10,500	Call Option	12,2014	01.2017-03.2017	4.6030-4.6770	mBank S.A.	(1,236)
Total equity							1,742

EUR 8,000 Call Option 03,2013 01.2015-02.2015 4,7580 PKO BP S.A. EUR 8,000 Put Option 05,2013 03.2015-04.2015 4.1800-4.2000 PKO BP S.A. 19 EUR 8,000 Call Option 05,2013 03.2015-04.2015 4.6760-4.7000 PKO BP S.A. (19 EUR 10,000 Put Option 11,2013 08.2015-09.2015 4,2500 PKO BP S.A. 71 EUR 10,000 Call Option 11,2013 08.2015-09.2015 4,6300 PKO BP S.A. (21) EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. (21) EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17) EUR 26,000 Put Option 04,2014 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2016-0									
EUR 8,000 Put Option 05,2013 03.2015-04.2015 4.1800-4.2000 PKO BP S.A. 19 EUR 8,000 Call Option 05,2013 03.2015-04.2015 4.6760-4.7000 PKO BP S.A. (CI EUR 10,000 Put Option 11,2013 08.2015-09.2015 4,2500 PKO BP S.A. 71 EUR 10,000 Call Option 11,2013 08.2015-09.2015 4,6300 PKO BP S.A. (21) EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. (21) EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016		EUR	8,000	Put Option	03,2013	01.2015-02.2015	4,2000	PKO BP S.A.	83
EUR 8,000 Call Option 05,2013 03.2015-04.2015 4.6760-4.7000 PKO BP S.A. (Call Option PKO BP S.A. </td <td></td> <td>EUR</td> <td>8,000</td> <td>Call Option</td> <td>03,2013</td> <td>01.2015-02.2015</td> <td>4,7580</td> <td>PKO BP S.A.</td> <td>-</td>		EUR	8,000	Call Option	03,2013	01.2015-02.2015	4,7580	PKO BP S.A.	-
EUR 8,000 Call Option 05,2013 03.2015-04.2015 4.6760-4.7000 PKO BP S.A. (Call Option PKO BP S.A. </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>									
EUR 10,000 Put Option 11,2013 08.2015-09.2015 4,2500 PKO BP S.A. 73 EUR 10,000 Call Option 11,2013 08.2015-09.2015 4,6300 PKO BP S.A. (21) EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. 68 EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2016-04.2016 01.2016-04.2016 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	8,000	Put Option	05,2013	03.2015-04.2015	4.1800-4.2000	PKO BP S.A.	192
EUR 10,000 Call Option 11,2013 08.2015-09.2015 4,6300 PKO BP S.A. (21) EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. 68 EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	8,000	Call Option	05,2013	03.2015-04.2015	4.6760-4.7000	PKO BP S.A.	(5)
EUR 10,000 Call Option 11,2013 08.2015-09.2015 4,6300 PKO BP S.A. (21) EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. 68 EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)									
EUR 6,000 Put Option 03,2014 01.2016-03.2016 4,3000 PKO BP S.A. 68 EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17 EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.2100-4.2500 PKO BP S.A. 1,88 EUR 26,000 Call Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87 EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	10,000	Put Option	11,2013	08.2015-09.2015	4,2500	PKO BP S.A.	718
EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17/2017) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.2100-4.2500 PKO BP S.A. 1,880 EUR 26,000 Call Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87/2016) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32/2016 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25/2016)		EUR	10,000	Call Option	11,2013	08.2015-09.2015	4,6300	PKO BP S.A.	(210)
EUR 6,000 Call Option 03,2014 01.2016-03.2016 4,7465 PKO BP S.A. (17/2017) EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.2100-4.2500 PKO BP S.A. 1,880 EUR 26,000 Call Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87/2016) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32/2016 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25/2016)									
EUR 26,000 Put Option 04,2014 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2015-06.2015, 01.2016-04.2016 01.2016-04.2016 EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	6,000	Put Option	03,2014	01.2016-03.2016	4,3000	PKO BP S.A.	681
EUR 26,000 Put Option 04,2014 01.2016-04.2016 4.2100-4.2500 PKO BP S.A. 1,88 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	6,000	Call Option	03,2014	01.2016-03.2016	4,7465	PKO BP S.A.	(179)
EUR 26,000 Put Option 04,2014 01.2016-04.2016 4.2100-4.2500 PKO BP S.A. 1,88 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (87) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)									
EUR 26,000 Call Option 04,2014 01.2015-06.2015, 01.2016-04.2016 4.4520-4.6850 PKO BP S.A. (879) EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		EUR	26,000	Put Option	04,2014	,	4.2100-4.2500	PKO BP S.A.	1,886
01.2016-04.2016 EUR 3,000 Put Option 08,2014 08,2016 4,2500 PKO BP S.A. 32 EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25)		ELID	26,000	Call Oation	04 2014		4 4530 4 6950		(970)
EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25.		EUK	26,000	Call Option	04,2014	01.2016-04.2016	4.4520-4.0650	PRO DP S.A.	(6/9)
EUR 3,000 Call Option 08,2014 08,2016 4,6550 PKO BP S.A. (25.									
		EUR	3,000	Put Option	08,2014	08,2016	4,2500	PKO BP S.A.	328
EUR 9,000 Put Option 10,2014 09,2016 4,2300 PKO BP S.A. 95		EUR	3,000	Call Option	08,2014	08,2016	4,6550	PKO BP S.A.	(252)
EUR 9,000 Put Option 10,2014 09,2016 4,2300 PKO BP S.A. 95									
		EUR	9,000	Put Option	10,2014	09,2016	4,2300	PKO BP S.A.	953
EUR 9,000 Call Option 10,2014 09,2016 4,5800 PKO BP S.A. (1,01)	_	EUR	9,000	Call Option	10,2014	09,2016	4,5800	PKO BP S.A.	(1,015)
Total 2,30		Total							2,301

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

There are no significant concentrations of credit risk within the Group.

36.4. Liquidity risk

The lack of funds risk is monitored by the Group with the use of the periodical liquidity planning tool. This tool takes into account the maturity dates of investments and financial assets (e.g. receivable accounts, other financial assets) as well as projected cash flows from operating activity.

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

The table below provides an analysis of the Group's financial liabilities as at 31 December 2014 and as at 31 December 2013 by maturity based on contractual non-discount payment terms.

31 December 2014	<1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	9,822	70,697	15,981	-	96,500
Financial lease	1,219	1,201	1,396	-	3,816
Trade and other receivables	60,831	-	-	-	60,831
	71,872	71,898	17,377	-	161,147

31 December 2013	<1 year	1-2 years	2-5 years	> 5 years	Total equity
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2,871
Trade and other receivables	54,720	-	-	-	54,720
	64,735	5,846	54,444	-	125,028

37. **Capital management**

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

The Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the reporting periods ended 31 December 2014 and 31 December 2013, there were no changes to the Company's objectives, policies and processes for managing capital.

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

	31/12/2014	31/12/2013
Interest-bearing credits and loans	96,500	67,437
Financial lease	3,816	2,871
Trade and other liabilities, provisions, accruals/deferrals	117,130	99,939
Cash and cash equivalents	(55,743)	(76,119)
Net debt	161,703	94,128
Convertible preference shares	-	-
Foreign exchange differences on translation of foreign operations	23,751	23,751
Surplus of share sale above their nominal value	111,646	111,646
Other reserve capital	167,812	146,903
Revaluation reserve	3,925	7,548
Incentive Scheme	1,290	420
Retained earnings	108,526	90,348
Exchange differences on translation of foreign operations	640	380
Equity of non-controlling shareholders	3,964	3,711
Total capital	421,284	384,607
Capital and net debt ratios	582,987	478,735
Gearing ratio	27.74%	24.40%

38. **Related party disclosures**

The following table presents total amounts of transactions concluded with related entities:

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

Balance of loans granted as at 30 December 2014 is presented in the table below:		Sales to related undertakings	Purchases from related entities	Receivables from related entities	Liabilities to related entities
Forte Baldai UAB	31/12/2014	-	252	-	21
	31/12/2013	-	253	49	-
Forte SK S.r.o.	31/12/2014	7	1,907	1	126
	31/12/2013	168	1,947	-	138
Forte Furniture Ltd.	31/12/2014	_	502	_	44
r or to r armed o Etai	31/12/2013	-	475	-	40
Forte Iberia S.l.u.	31/12/2014	24	755	-	1
	31/12/2013	6	757	-	62
Forte Mobilier S.a.r.l.	31/12/2014	-	486	_	-
	31/12/2013	-	338	1	41
Forte Mobila S.r.l.	31/12/2014	7	491	25	_
	31/12/2013	345	465	138	-
TM Handal Cn. 7.0.0	21/12/2014	10.007	1 202	2 700	513
TM Handel Sp. z o.o.	31/12/2014	10,887	1,382	2,788	
	31/12/2013	26,499	4,415	3,729	309
Total	31/12/2014	10,925	5,775	2,814	705
	31/12/2013	27,018	8,650	3,917	590

All loans granted as per 31.12.2014 are presented in the below table:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31/12/2014	Interest amount as at 31/12/2014
Subsidiaries:					
Forte SK S. r. o.	1,260	PLN	December 2015	41	-
Total:				41	-
Of which:					
Short-term portion:					
Forte SK S. r. o.				41	-
Total:				41	-

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

Loans granted to Forte Mobilier S.a.r.l. and Forte Baldai UAB were repaid in full in October 2014.

Balance of loans granted to non-consolidated subsidiaries as at 31/12/2013:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31/12/2013	Interest amount as at 31 December 2013
Subsidiaries:					
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:				1,060	3

38.1. **Parent Company of the Group**

The Parent Company of the Fabryki Mebli FORTE Capital Group is Fabryki Mebli FORTE S.A.

Entity with significant influence over the Group

Information about the entities holding more than 5% of the share capital of the Parent Company are presented in Note 30.

Joint venture in which the Parent Company is a venturer

The Group's Parent Company does not conduct joint ventures.

Terms and conditions of transactions with related parties

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

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

Incentive Scheme for Members of the Management Board of the Parent Company and the issue of series D,E and F subscription warrants with the exclusion of the pre-emptive right to series D, E and F subscription warrants

On 10 June 2014 the Ordinary Meeting of Shareholders of FABRYKI MEBLI "FORTE" S.A. approved an introduction of an incentive scheme for Members of the Management Board of the Company ("Incentive Scheme").

The purpose of the Incentive Scheme is to strive for further development of the Capital Group of the Company and its subsidiaries ("Capital Group") by creating motivational mechanisms for persons responsible for Company management, which would refer to the financial results of the Capital Group and an increase of share value.

The programme is of settlement program character via emission of capital instruments in exchange for services provided-total of 356,220 subscription warrants of the Company in 3 series with issue price equal to the arythmetic mean of rate of shares of the Company listed on WSE, calculated on the basis of ratings of these shares in the period from 28 April 2014 to 10 June

The issue price of Company share of H series was established via resolution of the Supervisory Board of 27 October 2014 for the amount 46.19. Each warrant authorizes to obtain one share of H series for the issue price.

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

	Series D	Series E	Series F
Number of subscription warrants	118,740	118,740	118,740
Vesting period	10/06/2014 — 31/12/2014	01/01/2015 — 31/12/2015	01/01/2016 — 31/12/2016
Conditions for entitlement to acquire warrants	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2014;	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2015;	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2016;

- 2) increase by at least 10% of net profit per Company's share as at 31 December 2014 compared to the result as at 31 December 2013
- 3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2014 compared to the average price of the Company's shares on the WSE in December 2013
- 2) increase by at least 10% of net profit per Company's share as at 31 December 2015 compared to the result as at 31 December 2013
- 3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2015 compared to the average price of the Company's shares on the WSE in December 2014
- 2) increase by at least 10% of net profit per Company's share as at 31 December 2016 compared to the result as at 31 December 2015
- 3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2016 compared to the average price of the Company's shares on the WSE in December 2015

3/ serving as a Member of the Management Board for at least six months in a given period and remaining at the position at the end of the given period, as well as obtaining the acknowledgement of fulfilment of duties of a Member of the Management Board of the Company during the given period

Increase of net profit per 1 Company share which constitutes a condition for offering Warrants for a given period is established on the basis of the consolidated annual financial statement of the Capital Group, reviewed by the auditor and approved by the resolution of the General Meeting of Shareholders of the Company.

Execution of rights from Warrants may occur no earlier than post one year from the formal decision of their obtaining and no later than by 30 November 2018.

Series of the incentive scheme ought to be treated as separate programmes in the understanding of IFRS 2.

Fair value of the Incentive Scheme

Fair value for the programme for D series was established in the amount PLN 870 thousand. The report created on 31 December 2014 the amount recognized was PLN 870 thousand-in the increase of own equity in the position of incentive scheme and in employee benefit costs.

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

	Series	Number of warrants	weighted average execution price
As at 01.01.2014 including:		506,220	
	С	150,000	11,52
	D	118,740	46,19
	E	118,740	46,19
	F	118,740	46,19
Change during reporting period, including:		268,740	
Granted in 2014	С	150,000	11,52
As at 01.01.2014 including:		356,220	,
Possible for realizing as at 31.12.2014	D	118,740	46,19
-	E	118,740	46,19
	F	118,740	46,19

Remuneration of the Group's senior management 38.6.

Remuneration paid to members of the Management Board and Supervisory Board of the Company (the Parent Company) and the Management Boards/Members of the Supervisory Boards of the Group's related entities is as follows:

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

	Period of 12 months ended		
	31/12/2014	31/12/2013	
Remuneration for Management Board of the Parent Company,	11,106	7,433	
including:			

in the Issuer's enterprise	10,489	6,800
Maciej Formanowicz	3,229	1,471
Gert Coopmann	2,935	2,484
Klaus Dieter Dahlem	1,666	1,646
Maria Florczuk	520	-
Mariusz Gazda	813	_
Rafał Prendke		_
Robert Rogowski	712	
	614	1,199
for performing functions in the Governing Bodies of the subsidiaries	617	633
Maciej Formanowicz	403	557
Gert Coopmann	214	76
Klaus Dieter Dahlem	-	-
Robert Rogowski	-	-

Supervisory Board:	216	216
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	19	42
Tomasz Domagalski	42	42
Stefan Golonka	23	-

Remuneration paid or payable to other members of key management personnel

	Year ended		
	31/12/2014 31/12/2013		
Short-term employee benefits (salaries and overheads)	5,167	4,493	
Jubilee awards	-	-	
Benefits after the employment period	-	-	
Revenues from dissolution of employment	-	-	
Share-based employee benefits	-	-	
Total remuneration paid to key management personnel (except for members of	5,167	4,493	
the Management Board and the Supervisory Board)			

Participation of senior executives in the employee programmes and schemes

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

39. **Employment structure**

Average employment in the Group in the period from January to December 2014 was as follows:

	2014	2013
Management Board of the Parent Company 4	5	4
Management Boards of related entities	6	5
Administration	186	120
Sales Department	470	231
Production Division	1,857	1,462
Other	130	341
Total	2,654	2,163

40. Subsequent events after the reporting period

On 5 January 2015 the Management Board of the Company obtained the following information from MetLife PTE S.A. with its registered seat in Warsaw:

"In relation to Article 56 (1) (2) of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments into organized trade system and on public companies (J. L. of 2009, No. 185, item 1439) MetLife PTE S.A. hereby informs taht the Fund maintained by it called MetLife Otwarty Fundusz Emerytalny (further referred to as "OFE") has decreased its share by at least 2% of vote s in the Company Fabryki Mebli Forte S.A.

A decrease of engagement occured as a result of sale of company shares of 22 December 2014. Directly prior to the change OFE had 3,022,474 ordinary bearer shares which constituted 12.73% of the Company capital and entitled to 3,022,474 votes at the General Meeting, which constituted 12.73% of total votes at the General Meeting of Shareholders.

At present OFE has 2,975,474 ordinary bearer shares which comprises 12.53% of Company capital and entitles to 2,975,474 votes at the General Meeting, which comprises 12.53% of total votes at the General Meeting.

The investment constitutes a portfolio deposit. Within the perspective of 12 months the Fund predicts the possibility of increasing the number of obtained shares depending on the shape of market situation and the performance of the Company. The purpose of obtaining shares of the Company is to allocate assets in the framework of investment activity of the Fund with an intention of obtaining maximum degree of safety and profitability. The Fund does not exclude also obtaining shares in case of the right increase of value or changes in the market situation or Company's performance."

On 12 January 2015 the Company received a notification of the District Court in Suwałki, VI Mortgage Register Department on entering on 7 January 2015 for ING Bank Śląski S.A. of total bail stipulated mortgage of up to PLN 48,000,000 with the right of perpetual usufruct of developed land properties of the Company and buildings and devices located on these properties which comprise a separate subject of ownership, located in Suwałki at ul. Północna 30 for which the District Court in Suwałki conducts mortgage and land register number SU1S/00026632/0, SU1S/00026630/6.

The book value of the assets in the books of the Company on which the mortgage was set amounts to PLN 15,504,014.27. There are no connections between the Company and persons managing and supervising the Company and ING Bank Śląski S.A.

On 2 February 2015 the Parent Company obtained a statement of resignation by Rafal Prendke from performing the function of the Member of the Management Board of the Issuer as at 4 February 2015. The resignation was due to personal matters.

Signature of the person entrusted with bookkeeping

	Anna Wilczyńska
Signatures of all members of the Managemen	t Board
President of the Management Board Maciej Formanowicz	Member of the Management Board Gert Coopmann
Member of the Management Board Klaus Dieter Dahlem	Member of the Management Board Maria Florczuk
Member of the Management Board Mariusz Gazda	

Ostrów Mazowiecka, 17 March 2015





FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP

Management Board's report on the operations of the Fabryki Mebli "FORTE" Capital Group for the period ended 31 December 2014.

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

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I. CURRENT FINANCIAL AND OPERATIONAL STANDING

This Report on the operations of the Capital Group of the Issuer — Fabryki Mebli "FORTE" in 2014 was prepared on the basis of § 92 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 the Fabryki Mebli FORTE Capital Group S.A.

1.1. Information on the Group's Parent Company

Fabryki Mebli "FORTE" S.A. (further referred to as "Parent 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 Parent Company is entered into the Register of Businesses of the National Court Register maintained by the District Court for the city of Warsaw, 14th Commercial Division of the National Court Register (former XXI Commercial Division), under KRS number 21840.

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

The duration of the Parent Company is unlimited.

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.

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

- \bullet Ostrów Mazowiecka, ul. Biała 1-HQ- the head office of the Company together with the Management Board and the 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, Toruń, Przemyśl, Białystok and Warsaw

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

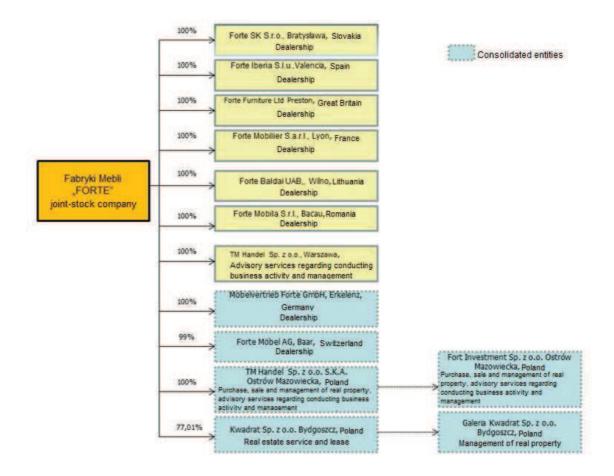
Subsidiaries (full consolidation method):	Registered office	Scope of activities		are of the Group capital
consolidation method):			31/12/2014	31/12/2013
MV Forte GmbH	Erkelenz (Germany)	Dealership	100.00%	100.00%
Forte Möbel AG	Baar (Switzerland)	Dealership	99.00%	99.00%
Kwadrat Sp. z o.o.	Bydgoszcz	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. SKA	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%
**Fort Investment Sp. z o.o.	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%

 $^{^{}st}$ indirectly related Parent Company — 100% subsidiary of Kwadrat Sp. z o.o.

The Group includes subsidiaries, specified in note 6, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

^{**} indirectly related Parent Company - 100% subsidiary of TM Handel Sp. z o.o. SKA

The Parent Company is a Parent Company and forms the Capital Group together with other entities. As at 31 December 2014 the Capital Group was composed of:



1.2. Management of the Parent company

As per 31 December 2014 the Management Board consisted of:

Maciej Formanowicz - President of the Management Board,

Gert Coopmann - Member of the Management Board,

Klaus Dieter Dahlem — Member of the Management Board.

Maria Florczuk — Member of the Management Board.

Mariusz Gazda - Member of the Management Board.

Rafał Prendke – Member of the Management Board.

Composition of the Management Board as per the day of the hereby report

Maciej Formanowicz - President of the Management Board,

Gert Coopmann - Member of the Management Board,

Klaus Dieter Dahlem – Member of the Management Board.

Maria Florczuk – Member of the Management Board.

Mariusz Gazda — Member of the Management Board.

1.3. Supervisory Board of the Parent Company

Composition of the Supervisory Board in the period from 1 January to 10 June 2014

Zbigniew Sebastian - Chairman,

Władysław Frasyniuk - Vice-chairman,

Stanisław Krauz,

Marek Rocki,

Tomasz Domagalski,

Composition of the Supervisory Board as at 31 December 2014 and as at the date of issue of the hereby report

On 10 June 2014 Ordinary Meeting of Shareholders selected Members of the Supervisory Board for the fourt year term of office.

Zbigniew Sebastian — Chairman, Stefan Golonka — Vice-chairman, Władysław Frasyniuk Stanisław Krauz Tomasz Domagalski

1.4. Mission and policy of the Fabryki Mebli FORTE

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

The aim of the Fabryki Mebli FORTE Capital Group 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 abovementioned policy is implemented by the Group 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.

1.5. Key events in which the Parent Company participated in 2014 and until the date of publication of the Management Board's Report

QUARTER I	JANUARY		
of 2014	09-11 January 2014 - BEGROS Fairs, Verbandmesse in Cologne, Germany		
	• 13-19 January 2014 - IMM Fairs in Cologne, Germany		
	19-22 January 2014 - NEC Fairs in Birmingham, Great Britain		
	23-26 January 2014 - Feria del Mueble Fairs in Saragossie, Spain		
	On 29 January FORTE received an award for the ATTENTION programme in the category "Dining"		
	room" in the 12th edition of the contest for the best furniture industry products organised by		
	"Meble Plus — Product of the Year 2014"		
	28-31 January 2014 - Partnertage Fairs in Barntrup, Germany		
	FEBRUARY		
	18-21 February 2014 - International Home Decor Fairs, Poznań		
	18-21 February 2014 - International Poznań Fairs MEBLE POLSKA 2014		
	FORTE received a golden medal in the category cabinet furniture for the programme SNOW		
	PORTE received a golden medal in the editegory cabinet farmatic for the programme show		
	MARCH		
	19 March 2014 - FORTE obtained the title of the Company of the year 2013 from index sWIG80		
	in the competition		
	"Byki i Niedźwiedzie" organized by Parkiet magazine		
QUARTER II	APRIL		
of 2014	12-14 April 2014 - EMV Fairs in Nuremberg, Germany		
	• 23 April 2014- Distinction in the category Best Exporter, granted by the competition board of the		
	XV1th Edition of the 500 List of "Rzeczpospolita" for the largest companies in Poland		
	MAY		
	13-16 May 2014 - Steinhoff Group Fairs in Barntrup, Germany		
	19-22 May 2014 - Partnertage Fairs in Barntrup, Germany		
	25 22 · ········ / 20 21 · · · · · · · · · · · · · · · · · ·		
	JUNE		
	• 2-15 June 2014 - II General Natonal Exhibition ,, Competitive Poland" within the International		
	Poznań Fairs, where FORTE obtained a jubilee medal of PWK		
	10- 13 June 2014 - Partnership Days, Ostrów Mazowiecka		
QUARTER III	SEPTEMBER		
of 2014	2-5 September 2014 - Internatinal Furniture Fairs in Ostróda, where the collection Saint Tropez		
	received 1st place in the category cabinet furniture (Expo Awards 41 award)		
	14-18 September 2014 - MOW Fairs in Barntrup, Germany		
QUARTER IV	OCTOBER		
of 2014	25-26 October 2014 — ALLIANCE FAIRS, Rheinbach, Germany		
until the date of report	13-15 January 2015 - NEC Fairs in Birmingham, Great Britain		
issue	15-18 January 2015 - BEGROS Fairs, Verbandmesse in Cologne, Germany		
	02-05 February 2015 - Partnertage Fairs in Barntrup , Germany		
	17-20 February 2015 - International Fairs MEBLE POLSKA, Poznań		

1.6. Awards and honours

- 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 category "Dining room" in the 12th edition of the contest for the best furniture industry products organised by "Meble Plus Product of the Year 2014"
- Title of Company of the year 2013 from index sWIG80 in the competition "Byki I Niedźwiedzie" organized by "Parkiet" magazine (19.03.2014)
- Distinction in the category Best Exporter granted by the competiton board of hte XVIth Edition of 500 List of "Rzeczpospolita" for the largest companies in Poland.
- Title of EXPORT EAGLE in Mazowieckie Voivodeship in the category for Best Exporter granted on 15 January 2015 during the Regional Gala of Export Eagles organized by "Rzeczpospolita" magazine.

- Award of EXPORT EAGLE n the category Export Personality granted by the competition board of Regional Gala of Export Eagles for the President Maciej Formanowicz.
- Distriction for the brand with an emblem " Good Brand-Quality, Trust, Reputation" granted within the consumer survey conducted by the editors of "Forum Biznesu" and "Biznes Trendy".
- Information concerning organisational or capital relations of the Issuer with other entities and defining its main investments in the country and abroad, including capital investments conducted outside of its group of affiliated entities and a description of methods of their financing

Information concerning organisational or capital relations have been included in point 1 of the hereby report.

The Group includes two real properties in its possession in its investment in real properties. These are shopping centres: in Wrocław with an area of ca. 7 thousand sq. m and in Bydgoszcz with an area of ca. 5 thousand sq. m. The properties were classified as investment properties because a vast part of them is leased to unrelated entities.

When assessing the value of investment real properties the Group in the applies principles set out in IAS 40, i.e. valuation at fair value. The valuation is carried out at the end of each financial year by an independent valuator.

A detailed description of the method of valuation and the fair value hierarchy is presented in note 19 to the Consolidated Financial Statements for the period ended 31 December 2014.

As a result of revaluation of the investment real property as at 31 December 2014, there was an increase in the fair value of real property in Wrocław by PLN 106 thousand. (in 2013 — there was no increase in the fair value), while in Bydgoszcz the currently indicated value was assessed as market value which was confirmed by the valuator (in 2013: increase in the fair value by PLN 162 thousand).

	Fair value change		
	2014.	2013.	
Opening balance as at the beginning of the reporting period	47,962.	46,772.	
Increase (later expenses)	106.	1,190.	
- land purchase	_	1,028.	
- reclassification of fixed assets under construction	_	_	
- revaluation to the fair value	106.	162.	
Closing balance as at the end of the reporting period	48,068.	47,962.	

	For the reporting period ended		
	31/12/2014	31/12/2013	
Interest income from the rent of investment real property	2,623.	2,848.	
Costs resulting from repair and maintenance, including:	74.	155.	
costs that brought rental income during the period	71.	148.	
costs that did not bring rental income during the period	3.	7.	

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

3. Information concerning basic products, goods and services

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

Assortment	2014	i.	201	3.	Change during the period
ASSORTMENT	Value	Share	Value	Share	%
Cabinet furniture	799,558	97.3%	645,066	96.8%	23.8%
Other furniture	281	0.0%	1,864	0.3%	(84.9%)
Goods	8,609	1.0%	9,515	1.4%	(9.1%)
Materials	5,918	0.7%	3,524	0.5%	64.4%
Services	8,048	1.0%	6,396	1.0%	26.5%
Total	822,414	100%	666,365	100%	23.3%

Due to the diversity of its assortment, the Issuer 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 Issuer's strategy, it focuses its activities on the production of cabinet furniture for self-assembly at the average price range. Complementarity and coherence of the offer additionally includes tables, chairs and decorative additions. The products offered by the Group have been recognisable in the market and are largely appreciated by the customers.

The products offered by Forte constitute modern and functional furniture designed both by the internal specialized BRP team as well as the European designers cooperating with the Company.

In 2014 the Group obtained a very satisfying, dynamic growth of sale of mounted furniture. Revenues from sale of this group of products amounted to PLN 16,000 thousand.

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

In 2014, export sales amounted to PLN 667,874 thousand and constituted 82.4 % of the annual sales (in 2013 - PLN 541,253 thousand - 81.2 %). German-speaking markets (Germany, Austria, Switzerland) remain the strategic export markets, with sales in 2014 accounting for approx. 60% of total export sales. Other key markets are France, Spain and Great Britain.

On the German market the Group concentrates its activities mainly on cooperation with the largest furniture chains gathered in furniture purchasing groups.

The sale on the second largest Polish market amounted to PLN 144,540 thousand. (17.6 %) against PLN 125,112 thousand (18.8%) in 2013 and concentrated in two main channels of distribution: traditional furniture stores and retail chains.

Yet another, significant export market for the Group turned out to be France. The sale on that market amount in 2014 to approx. PLN 64,000 thousand and was higher by approx. 200% than the previous year. The Company Management notices further potential of sales increase of this market-both through cooperation growth with existing customers and through obtaining new customers.

The largest recipients of goods of Forte Group are: Roller GmbH with headquarters in Germany and Steinhoff Group International with headquarters in France. This share in turnover of Roller GmbH and Steinhoff Group exceeded 10% in the sales revenue of Forte Group. There are no formal ties between the customer and the Issuer.

5. Information regarding sources of supply in materials for production, goods and services

In 2014 the purchase of materials, goods and services from home suppliers comprised 69.2% of Group's total purchase.

The strategic supplier of raw materials for the Group is the PFLEIDERER Group. PFLEIDERER Group's share in turnover exceeded 10% in the sales revenue of the Forte Group. There are no formal ties between the supplier and the Issuer. Purchases from import in 2014 equated to 30.8% of total purchase. The main direction of import for Forte Group in Germany-31.1% and Romania-19.3% of total value of import purchase.

6. Information concerning contracts important for the activity.

Insurance contracts entered into by FORTE Group in 2014:

- In co-insurance with Genarali T.U.S.A, TUiR "WARTA" S.A., Gothaer Towarzystwo Ubezpieczeń S.A., and InterRisk Towarzystwo Ubezpieczeń S.A Vienna Insurance Group: insurance period 25/09/2014 – 24 September 2015
- property insurance from acts of God the sum insured of PLN 535,267 thousand.
- insurance of the loss of profit the sum insured of PLN 160,735 thousand.
- with TUIR "WARTA" S.A.: insurance period 24/09/2014 -23 September 2015

property insurance from acts of God — the sum insured of PLN 9,124 thousand.

- with TUIR "WARTA" S.A.: insurance period 25/09/2014 -23 September 2015
- electronic equipment insurance against all risks the sum insured of PLN 4,228 thousand.
- insurance of the loss of profit the sum insured of PLN 15,500 thousand.
- property insurance from random events the sum insured of PLN 376,000 thousand.
- with AIG Europe Limited Sp. z o.o.: insurance period 01/04/2014 31/03/2015
- liability insurance of the Members of the Issuer's Bodies the sum insured of 10,000 thousand. EUR

On 30 December 2014 the Parent Company concluded with the company Pfleiderer Grajewo S.A. with its registered seat in Grajewo, with Pfleiderer Prospan S.A. with its registered seat in Wieruszów and with Pleiderer Sp. z o.o. with its registered seat in Grajewo an agreement for the supply of wood-based boards for all the facilities within the Group for the period from 1 January 2015 to 31 December 2016.

The price of the materials will be established in accordance with price formula included within the agreement, on the basis of prices of basic raw materials for the production of the boards. Estimated value of the agreement amounts to approx. PLN 306,280 thousand.

7. 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

Detailed information regarding transactions concluded with related entities are included in note 38 of the consolidated report.

8. Information regarding credits and loans.

On 24 June 2014 the Parent Company concluded with mBank S.A. an investment loan agreement for an amount of 2,400 thousand EUR for financing of a purchase of machinery and production equipment. Loan repayment will take place in 16 quarterly instalments within the term until 31 December 2018.

On 12 November 2014 the Parent Company signed an annex with ING Bank Śląski S.A. to the loan agreement amending the amount of loan on working capital from PLN 35,000 thousand to PLN 40,000 thousand and extending the repayment date until 31.10.2016.

On 15 December 2014 the Parent Company concluded with mBank S.A. an annex to the multi-currency loan agreement on current account of 20.12.2013 extending the period of loan use until 15.12.2015.

As at 31 December 2014, the Company's debts due to short-term bank loans and borrowings amounted to PLN 9,822 thousand (on 31.12.2013 — PLN 9,259 thousand).

As at 31 December 2014, the Company's debts due to long-term bank loans and borrowings amounted to PLN 86,678 thousand (on 31.12.2013 — PLN 58,178 thousand).

Additional information on loans have been included in the table below. All values have been presented in PLN $^{\prime}000$

Short-term	Nominal interest rate %	Due date	31/12/2014	31/12/2013
mBank S.A. — investment loan in the amount of 2,400 thousand EUR-short-term portion	1 M EURIBOR	by 31/12/2018	2,220	-
mBank S.A. — working capital loan in the amount of 1 000 thousand EUR-short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 15/12/2015	4,461	-
PKO BP S.A. — investment loan in the amount of PLN 3,000 thousand Short-term portion	1 M WIBOR	by 30/06/2014	-	300
PKO BP S.A. — investment loan in the amount of 3,550 thousand EUR-short-term portion	1 M EURIBOR	by 31/03/2015	-	3,681
PKO BP S.A. — investment loan in the amount of 3,500 thousand EUR-short-term portion	1 M EURIBOR	by 22/12/2018	3,141	-
HSBC Bank Polska S.A. — investment loan in the amount of 3,500 thousand EUR-short-term portion	3 M EURIBOR	by 19/06/2015	-	5,278
Total short-term			9,822	9,259

Long-term	Nominal interest rate %	Due date	31/12/2014	31/12/2013
PKO BP S.A. — investment loan				
in the amount of 3,550 thousand EUR-long-term portion	IM EURIBOR	by 31/03/2015	-	1,840
PKO BP S.A.— working capital loan in the amount of PLN 45,000 thousand Long-term portion	depending on the currency used IM WIBOR or IM EURIBOR	by 19/12/2016	34,098	24,883
ING Bank Śląski S.A. — investment loan in the amount of PLN 40,000 thousand — long-term portion	depending on the currency used 1M WIBOR or 1M LIBOR or 1M EURIBOR	by 31/10/2016	36,599	28,816
PKO BP S.A. — investment loan in the amount of 3,500 thousand EUR-long-term portion	1 M EURIBOR	by 22/12/2018	9,322	-
mBank S.A. — investment loan in the amount of 2,400 thousand EUR-long-term portion	1 M EURIBOR	by 31/12/2018	6,659	-
HSBC Bank Polska S.A. — investment loan in the amount of 3,500 thousand EUR-long-term portion	3 M EURIBOR	by 19/06/2015	-	2,639
Total long-term			86,678	58,178

Bank loan securities as at	31 December 2014
PKO BP S.A. — investment loan in the amount of 3,500 thousand EUR	 Registered pledge on movable assets of a value no less than 5,130 thousand EUR an assignment of rights from the insurance policy
mBank S.A. — investment loan in the amount of 2,400 thousand EUR	 Blank promissory note issued by the Borrower with the Borrower's promissory note declaration Registered pledge on equipment and machinery.
PKO BP S.A. — working capital loan in the amount of PLN 45,000 thousand	 Registered pledge on inventory in the factory in Hajnówka in the amount of PLN 25,779 thousand together with the assignment of rights under the insurance contract
	 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
	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.Aworking capital loan in the amount PLN 40,000 thousand.	 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
	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
mBank S.A. — working capital loan in the amount of 1 000 thousand EUR	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration .

With nominal interest rate one ought to consider also the bank margin which is within the range of:

0.80% - 1.00 % for loans granted in $\ \mbox{EUR}$ and USD

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

Currency	As	at
	31/12/2014	31/12/2013
PLN	-	300
EUR	85,271	66,521
USD	11,229	616
	96,500	67,437

9. Information concerning loans granted in the fiscal year.

In the reporting period no new loans were granted.

The balance of granted loans receivable at 31 December 2014 amounts to:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31.12.2014	Interest amount as at 31/12/2014
Subsidiaries:					
Forte SK S. r. o.	1,260	PLN	December 2015	41	-
Total:				41	-
Including:					
Short-term portion:					
Forte SK S. r. o.				41	-
Total:				41	-

The above loan was granted loan granted on arm's length market terms (variable interest rate based on WIBOR plus margin).

Loans granted to Forte Mobilier S.a.r.l. and Forte Baldai UAB were repaid in full in October 2014.

Balance of loans granted to non-consolidated subsidiaries as at 31.12.2013:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 30.12.2014	Interest amount as at 31/12/2013
Subsidiaries:					_
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:				1,060	3

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

Within the reporting period guarantees did not occur.

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

In the reporting period no securities were issued.

12. 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 2014.

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

Net Working Capital	2014	2013
Current assets	356,623	300,784
Short-term liabilities	(112,361)	(93,665)
Net Working Capital	244,262	207,119
Ratio of net working capital (net working capital /total assets)	38.24%	37.3%

Debt analysis	2014	2013
Total liabilities	217,446	170,246
Total debt ratio (total debts/total liabilities)	34.04%	30.6%
Credit rating ((net profit + depreciation)/total liabilities)	42.3%	43.8%

As at 31.12.2014, FORTE Group's long-term liabilities amounted to PLN 105,085 thousand and consisted mainly of liabilities from loans and borrowings (PLN 86,678 thousand), representing 82.5% of total long-term liabilities.

As at 31.12.2014, short-term liabilities amounted to PLN 112,361 thousand and comprised mainly trade and other liabilities (PLN 60,831 thousand), representing 54.1% of short-term liabilities, as well as short-term deferred revenues and accruals (PLN 27,820 thousand), representing 24.8% of total short-term liabilities.

The Group has a low level of debt and good financial liquidity. There are no threats related to the pay off incurred liabilities.

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

In 2014, the Group executed an investment plan in the amount of approx. PLN 44,000 thousand. Investments were financed in half from long-term investment loans and in half from own resources. The investment plan of the Issuer for the years 2015-2017 amounts to PLN 89,000 and covers mainly investments in expanding production-storage areas as well as purchase of modern machinery and devices for all facilities of the Parent 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 2015 will in their significant part be financed with resources from investment credits. Final decision regarding the selection of bank to finance the investment was not yet taken at the time of issue of the hereby report.

15. 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.

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

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

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

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

15.1. Interest rate risk

The Group'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 Group, i.e. loans and obligations under financial 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 0.25 percentage point, as well as increase for LIBOR – by 0.80 percentage point.

The above assumptions have been based on available market forecasts.

The Group does not have any hedging instruments against interest rate risk as it does not perceive such a risk as significant from the perspective of the conducted activity.

Interest rate risk - sensitivity analysis

The sensitivity of gross profit due to changes in the interest rate and balance sheet value of the Group's financial instruments exposed to the risk of interest rates are described in item 36.1. of additional explanatory notes to the consolidated financial statements.

15.2. Currency risk

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

The Group 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. of additional explanatory notes to the consolidated financial statements.

Currency risk hedging

The basic method of managing the currency risk hedging strategies use derivative instrument.

To hedge future foreign currency transactions, the Company uses symmetrical option strategies and forward contracts.

The impact of derivatives on the statement of financial position

As at 31 December 2014 the fair value of open items within derivatives amounted to PLN 4,652 thousand. and was in its entirity covered within receivables on account of derivatives of financial instruments.

The impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2014, the result on derivatives amounted to PLN 4,427 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting (status as at 31 December 2013: PLN 3,409 thousand).

The impact of derivatives on the result of the period

	01.01-31.12.2014	01.01-31.12.2013
Influence on sales revenue	2,595	2,857
Impact on revenue/financial costs, of which:	1,832	552
- due to the execution of derivatives in the period	1,884	500
- due to the valuation of derivatives in the period	(52)	52
Proceeds from derivatives on the result of the period, in total:	4,427	3,409

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 8.20 to the consolidated financial statements. According to them, changes in fair value of hedging instruments include, in part, the effective equity of the Parent Company and the ineffective portion 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 date.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 36 of additional explanatory notes to the consolidated financial statements.

Fair value 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 37.2 of additional explanatory notes to the consolidated 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.

15.3. Credit risk

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

There are no significant concentrations of credit risk within the Group.

15.4. Liquidity risk

The lack of funds risk is monitored by the Group with the use of the periodical liquidity planning tool. This tool takes into account the maturity dates of investments and financial assets (e.g. receivable accounts, other financial assets) as well as projected cash flows from operating activity.

The Group's objective is to maintain balance between the continuity and flexibility of funding through the use of various sources such as bank overdrafts, bank loans, and financial leases

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

16. Short description of the Group performance and basic economic and financial parameters:

Description	2014	2013	Change (in %)
Sales revenue	822,414	666,365	23.4%
Cost of sales	(524,263)	(424,924)	23.4%
Gross profit from sales	298,151	241,441	23.5%
Gross margin	36.3%	36.2%	
Operating profit (EBIT)	93,604	72,421	29.2%
EBITDA	110,441	89,089	24.0%
Gross profit	94,923	73,147	29.8%
Net profit	75,152	57,920	29.8%
Net return on sales %	9.1%	8.7%	
Return on own equity	17.8%	15.1%	
Return on assets (ROA)	11.8%	10.4%	

2014 was yet another record year both in terms of the achieved level of sales and net profits earned. The Company gained the highest historically financial result.

Revenues from sales denominated in PLN in 2014 amounted to PLN 822,414 thousand. and compared to the same period of the previous year increased by 23.4 % (in terms of value by PLN 156,049 thousand).

In the opinion of the Management Board, it is the result of the consequent strengthening of partner business relations and product offer development. The ability to adapt product range and customer service to individual markets, allows to achieve growth in a wide range of geographical locations.

FORTE Furniture is a recognized brand and good quality. The Group is a leading producer of self-assembly furniture and it continues to develop also its offer of mounted furniture, responding through this to the new, growing demands of the market. It diversifies its range of clients in terms of assortment and expands its distribution network and trade potential.

Gross profitability on sales has remained at a constant level as in the previous year and amounts to 36.3%

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 20.3% against 20.1% in the same period last year. In terms of value, cost of sales increased by PLN 32,754 thousand, which is directly related to the increase in sales. The main item in this group of costs is transportation costs. Its ratio in relation to sales revenue amounted to 7.8% in 2014 against 7% in 2013. The Management Board recognises the potential arising from the optimisation of logistics costs. The Parent Company carries out a series of activities to achieve better results in this area of activity.

General costs – the costs to revenue ratio amounted to 4.2% (the same level as in2013).

Other operating costs as at the end of 2014 amounted to PLN 5,570 thousand (compared to PLN 9,763 thousand in 2013).

The most important items in this group include the cost of liquidation and the write-down for damaged and incomplete inventories totalling PLN 2,613 thousand.

Other operating revenue as at the end of 2014 amounted to PLN 2,412 thousand (compared to PLN 2,829 thousand in 2013). The key items include: compensation received – PLN 881 thousand, obtained grants – PLN 268 thousand, and inventory surplus – PLN 681 thousand.

Operating profit amounted to PLN 93,604 thousand. (11.4 % of revenue), and was higher by as much as 29.2% than the operating profit earned in the same period of the previous year.

Financial revenues amounted to PLN 1,675 thousand (compared to PLN 1,288 thousand in 2013). Major items here include: interest received on bank deposits, bonds and granted loans – PLN 1,650 thousand.

Financial costs amounted to PLN 2,188 thousand (compared to PLN 1,114 thousand in 2013), of which PLN 847 thousand was the interest on loans and leases and exchange rate differences PLN 1,236 thousand

In 2014, the Group maintained a very positive net profit trend at the level of PLN 75,152 thousand. (9.1% of revenues), in comparison to PLN 57,920 thousand (8.7% of revenues) in 2013.

17. Assessment of factor and special events which impacted the operational result for the financial year, including defining the level of impact of these factor or special events on the achieved result.

Did not occur.

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

Year 2014 was extremely successful for the Group 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 Parent 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 subsequent years 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. The Group has ensured a guarantee of stable supply of the strategic raw material for subsequent two years. thanks to the agreement with Pfleiderer Group, signed in December 2014 for the supply of board.

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

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

Did not occur.

20. Any agreements concluded between the Issuer and the management staff providing that in case of the resignation or dismissal from the role without a significant cause or in case their dismissal or recall from the occupied position is due to merger of the Issuer by takeover.

The Parent 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 member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount equal to the remuneration equal to his or her 6 monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the MB member against the Company, serious and culpable violation by him or her 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 2 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. Also in case of non-appointment of the member of the Management Board for the term of office of the Management Board in 2014-2019 he or she will be entitled to compensation in the amount of 6 of his/her monthly salaries with the exception of the described above cases on the side of the member of Management Board.

21. The amount of remuneration, rewards and benefits, including those under the incentive or bonus schemes based on the Issuer's capital.

Due to the fact that as at 31 December 2014 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 Parent Company has adopted a number of 118,740 warrants as remaining to be executed on this day. Thus, the value of the total cost recognised in the reporting period ended 31 December 2014 amounted to PLN 870 thousand.

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

	Series D	Series E	Series F
Number of subscription warrants	118,740	118,740	118,740
Vesting period	10/06/2014 — 31/12/2014	01/01/2015 — 31/12/2015	01/01/2016 — 31/12/2016
Conditions for entitlement to acquire warrants	1/ non-reporting by the certified auditor of significant concerns regarding consolidated financial report of Capital Group for the financial year 2014.	1/ non-reporting by the certified auditor of significant concerns regarding consolidated financial report of Capital Group for the financial year 2015.	1/ non-reporting by the certified auditor of significant concerns regarding consolidated financial report of Capital Group for the financial year 2016.
	2) increase by at least 10% of net profit per Company's share as at 31 December 2014 compared to the result as at 31 December 2013	2) increase by at least 10% of net profit per Company's share as at 31 December 2015 compared to the result as at 31 December 2014	2) increase by at least 10% of net profit per Company's share as at 31 December 2016 compared to the result as at 31 December 2015
	3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2014 compared to the average price of the Company's shares on the WSE in December 2013	3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2015 compared to the average price of the Company's shares on the WSE in December 2014	3) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2016 compared to the average price of the Company's shares on the WSE in December 2015

3/ serving as a Member of the Management Board for at least six months in a given period and remaining at the position at the end of the given period, as well as obtaining the acknowledgement of fulfilment of duties of a Member of the Management Board of the Company during the given period

Increase of net profit per one Company share constituting a condition for offering Warrants falling for a given period is established on the basis of a consolidated annual report of the Capital group, reviewed by an expert auditor and approved via resolution of the General Meeting of Shareholders of the Company.

Execution of Warrant rights may take place no sooner than post one year from the formal decision of their obtaining and no later than on 30 November 2018.

Series of incentive scheme are considered as separate programmes in the meaning of IFRS.

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

	Period of 12 months ended		
	31/12/2014 31/12/20		
Management Board's remuneration, including:	11,106	7,433	

in the Issuer's enterprise	10,489	6,800
Maciej Formanowicz	3,229	1,471
Gert Coopmann	2,935	2,484
Klaus Dieter Dahlem	1,666	1,646
Maria Florczuk	520	-
Mariusz Gazda	813	-
Robert Rogowski	614	1,199
Rafał Prendke	712	-
for performing functions in the Governing Bodies of the subsidiaries	617	633
Maciej Formanowicz	403	557
Gert Coopmann	214	76

Supervisory Board:	216	216
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	19	42
Tomasz Domagalski	42	42
Stefan Golonka	23	-

22. 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,

23. Employment and personnel policy of the Group

The structure of employment according to professions education, gender and the type of work performed in the FORTE Group:

	Statu	s as at:
Employment structure	2014	2013
- as per education		
University degree	14%	14%
Secondary education	46%	46%
Vocational training	28%	29%
Primary education	12%	11%
- as per gender		
Women	28%	26%
Men	72%	74%

- according to the type of work		
Blue-collar workers	83%	82%
White-collar workers	17%	18%

Average employment in the Group in the period from January to December 2014 was as follows:

	2014	2013
Management Board of the Parent Company	5	4
Management Boards of related entities	6	5
Administration	186	120
Sales Department	470	231
Production Division	1,857	1,462
Other	130	341
Total	2,654	2,163

23.1. 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 Parent Company. Through such meetings, employees have the 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 Parent Company in 2014 continued its innovative educational project 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.

Since 2014 the Parent Company commenced also an educational programme of teaching English and German to the employees of the company.

23.2. Internship programmes 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 at Warsaw University of Life Sciences, whose assumptions relate primarily to the implementation of joint projects that could bring new designs and technologies. The Parent Company offers participation in professional internships of individual profile for students as well as offering new projects realized by students in the form of diploma thesis, competitions. Forte Group has successfully cooperated also with other universities, such as Technical University in Białystok and University of Ecology and Management in Warsaw

24. 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.

Key data on FORTE shares:

Key data	2014	2013
Company's net profit in PLN '000	74,612	56,538
The highest share price in PLN	59.45	38.50
The lowest share price in PLN	35.70	12.65
Share price at the end of the year in PLN	51.50	38.50
P/E indicator as of the end of the year	16.39	16.17
Number of shares on the stock exchange (in items)	23,751,084	23,751,084
Average daily trading volume (in items)	31,135	36,479



2013 Forte S.A. share price chart

(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

KURS AKCJI-SHARE PRICE



Chart. Price of shares of Forte S.A. in the period 1996-2013.

 $(source: \ http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE, PLFORTE00012)$

25. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders

The Issuer does not posses such information.

26. Information concerning the control system of the employee share programmes.

Did not occur.

27. Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds.

Did not occur.

28. Information on the date of agreement conclusion by the Issuer with an entity authorised to audit financial statements regarding an audit or review of the financial statements and the period for which the agreement was concluded and the total amount of remuneration under the agreement.

In the reporting period and the comparative period, the Parent Company entered into the following agreements with BDO Sp. z o.o. as an entity authorised to audit financial statements:

On 15 May 2014:

- The agreement regarding the audit of the interim individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2014 For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 32 thousand net.
- The agreement regarding the audit of the individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2014. For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 56 thousand net.

On 29 May 2013:

• The agreement regarding the audit of the interim individual 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 remuneration in the amount of PLN 32 thousand net.

The agreement regarding the audit of the individual 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 remuneration in the amount of PLN 56 thousand net.

29. The structure of assets and liabilities

Liquidity and efficiency analysis	2014	2013
Current liquidity (current assets/short-term liabilities)	3.17	3.21
Quick liquidity (current assets — inventories/short-term liabilities)	1.85	2.00
Receivables rotation in days (average receivables under supplies and services* 365/sales revenues)	43	43
Inventory turnover in days (average inventory* 365/own cost of sales)	91	91
Liabilities rotation in days (average supplies and services liabilities* 365/own cost of sales	28	29
Rotation of current assets in days (average curent assets* 365/sales revenues)	146	146

Characteristics of the balance sheet	2014		2013		% Change
structure	in PLN '000	% of the balance sheet total	in PLN '000	% of the balance sheet total	2014/2013
Non-current assets	282,107	44%	254,070	46%	11.0%
Current assets	356,623	56%	300,784	54%	18.6%
Total assets	638,730	100%	554,854	100%	15.1%
Equity	421,284	66%	384,607	69%	10.2%
Long-term liabilities and provisions	105,085	16%	76,581	14%	37.2%
Short-term liabilities and provisions	112,361	18%	93,666	17%	20.0%
Total liabilities	638,730	100%	554,854	100%	15.1%

In 2014, the Group recorded an increase in balance sheet total by PLN 83,876 thousand.

Fixed assets increased by PLN 28,037 thousand which is due to the investment expenditure surplus over annual depreciation charge.

The increase in **current assets** by PLN 55,839 thousand is mainly due to the increase in inventories (PLN 35,926 thousand) and receivables (PLN 44,904 thousand).

The increase in **receivables under supplies and services** 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.

Unchanged since previous year reserve and receivables rotation cycle in days confirms that the Group rationally manages these items of current assets.

On the side of **liabilities** there have been increases of liabilities connected with: bank loans (by PLN 29,063 thousand), trade and other payables (by 6,111 thousand), income tax (by PLN 1,706 thousand) and provisions and accruals (by PLN 9,852 thousand).

The increase in **bank loans** balance arises from the Group's foreign exchange risk management policy as well as from the use of investment loans in 2014.

Increase in the balance of **liabilities arising from supplies and services** is the consequence of increased production. The Group timely performs all of its obligations as indicated by a stable 28 days indicator of receivables rotation.

The increase of balance of reserves and accruals is due to, most of all, an increase of sales revenues and thee volume of bonus reserves as well as clients off-setting the settlements of which will occur in 2015.

The Group maintains very high financial liquidity. The **closing balance of cash** at the end of the reporting period was PLN 55,743 thousand, which is an decrease of PLN 20,376 thousand compared to the end of 2013. The cause of a decrease of cash was, among others, higher dividend payments approved by the Parent Company for the year 2013 as well as significant financing of reserve increases

30. 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 2014, the Group 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, to supply chain support systems.

In the most important events of 2014, the Group may include:

- production of record number of furniture packages-over 6 millon items,
- continuation of domestic partnership programme FORTE PLUS, as a new concept and quality of the presentation
 of its offer,
- · participation in numerous marketing activities, including television advertising in "Our New Home" programme
- · increasing the electronic communication quality through implemeniting Outlook Exchange system,
- continuation of manufacturing processes optimisation, including by development of investments allowing for the increase of production capacity,
- ensuring for the subsequent two years continuity of supply of strategic raw materials (semi-wood boards) due to the agreement concluded in December 2014 with Pfleiderer Group.

31. Description of the structure of major capital . investments made within the given financial year

Did not occur.

32. Description of the organization of the Issuer's capital group, with the list of consolidated companies, and description of changes in the organization of the Issuer's Capital Group together with their reasons.

The description has been set out in item 1 of these statements.

33. Description of the policy concerning development lines of the Issuer's Capital Group. The main directions of development.

In the foreseeable future the Group will strive at maintaining a strong position of large, international retail distributors and a strong orientation towards servicing this distribution channel. The subsequent targets include securing availability of strategic raw materials and reachin operational perfection in the area of production, supply chain and customer service.

Thanks to cooperation with creative and experienced designers the Forte Group will develop a wide and diverse product base. The goal for the coming years will be to reach over EUR250 million annual turnover and to increase to volumes of production to 8 million of items of furniture packages.

The goal of Forte Group is to diversify both the area of the offered product and distribution channels.

Post expansion of production capacity up to 8 millon of items of furniture packages it will be possible to commence cooperation with large networks conducting sell of shares and internet sale.

34. Description of off-balance sheet items by counterparty, object and value.

Did not occur.

35. Selected financial data converted on the basis of the following exchange rates:

- Individual items of assets and liabilities as at 31 December 2014 were converted according to the average exchange rate of EUR 1 dated 31.12.2014 (1 EUR = PLN 4.2623). Particular items of the profit and loss account and the cash flow statement for the year 2014 were calculated on the basis of exchange rates constituting the arithmetic mean of rates established on the last day of each month (EUR 1 between 1 January and 31 December 2014 = PLN 4.1893).
- Individual items of assets and liabilities as at 31 December 2013 were converted according to 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 for the year 2013 were calculated on the basis of exchange rates constituting the arithmetic mean of rates established on the last day of each month (EUR 1 between 1 January and 31 December 2012 = PLN 4.2110).

36. 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 consolidated 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.

37. Statement of the Management Board regarding the reliability of the financial statements of the

The Management Board of Fabryki Mebli "FORTE" S.A. represents that, to the best of their knowledge, the annual consolidated financial statements of the Issuer's Capital Group for 2014 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 of the Issuer's Capital Group, including basic risks and threats.

38. 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 Parent Company's Management Board is responsible for the Issuer'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 Parent Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office and Controlling Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Group's finances.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

The Parent Company possesses relevant procedures for preparing financial statements which aim at 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 schedule together with assigning responsibility for given actions to individual persons.

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 of the Parent Company, as well as all agreements concluded by the Issuer. Access to electronic circulation of documents is granted in the scope of their competence to authorised Parent Company staff.

The V-desk system covers the registration, factual description, posting and acceptance of invoices — in accordance with competences assigned by the Management Board.

Accepted invoices are imported to the SAP R3 operating system upon 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 Parent 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 Parent 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. The high flexibility of the system allows it to adapt to changing current accounting principles or other legal standards.

Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The Parent Company implements new investment procedure the main goal of which is to enable full supervision over each stage of investment realization and planning. Current analysis of investment processes ensures reliable financial, material information about the investment. It allows for an immediate identification of potential errors, irregularities or differences during realization of individual stages of the investment. Thanks to this it is possible to implement ongoing changes and corerction to the current investment processes and in particular their correct and reliable calculations.

The Group 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 Parent 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 Parent Company at closing meetings.

President of the Management Board	Member of the Management Board
Maciej Formanowicz	Gert Coopmann
Member of the Management Board	Member of the Management Board
Klaus Dieter Dahlem	Maria Florczuk
Member of the Management Board	
Mariusz Gazda	
Ostrów Mazowiocka, 17 March 2015	
Ostrów Mazowiecka, 17 March 2015	

II 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 Resolution 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 259 item 133), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (hereinafter: the "Parent Company" of "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2014, included in the document "Code of Best Practice for WSE Listed Companies". Declaration of application of principles of corporate governance by the Company in 2014 constitutes a separate part of the report on FORTE activities and is published on the internet website of the Company.

 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 Parent Company represents that in 2014 the Parent 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 19/1307/2012 of 21 November 2012, which is available to the public on the website: http://www.corp-gov.qpw.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 and rules of 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 of the Parent Company, 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 Parent 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 remunerating and granting cash benefits to FORTE employees. In accordance with the valid provisions of law and the Parent 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 Parent Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Parent 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 Parent Company's economic activity."

The Company pursues a policy of appointing competent, creative individuals with adequate education and working experience as members of supervisory and management bodies. Other factors, including sex, 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 sex, and the decisions regarding the choice of individuals supervising and managing the Parent Company are made by the Parent Company's eligible bodies.

Part I principle No 12

"The Parent Company should enable its shareholders to exercise the voting right during a 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 sufficiently 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 Parent Company decided in 2014 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 Parent Company will consider applying this principle in practice.

Part II principle No 1 item 9a

"The Parent 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 the record in the form of audio or video. The General Meetings take place in the registered seat of the Parent 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 Parent 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, publishing required current reports and posting relevant information on the Parent Company's website enables 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 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 Parent 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, publishing required current reports and posting relevant information on the Company's website enables 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.

2. Shareholders holding directly or indirectly significant stakes of shares.

In accordance with the most current information possessed by the Company, the shareholding structure as at 31 December 2014 was as follows:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm SARL	7,763,889	32.69%	32.69%
2.	MetLife Otwarty Fundusz Emerytalny (MetLife OFE)	2,975,474	12.53%	12.53%
3.	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,324,480	5.58%	5.58%
4.	ING Otwarty Fundusz Emerytalny	1,200,000	5.05%	5.05%

3. Holders of any securities which provide special control rights.

The Parent Company did not issue securities which provide special control rights.

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 Parent 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.

4. Limitations in transferring the ownership right to the Issuer's securities

There are no limitations in transferring the ownership right to the Parent Company's securities.

5. 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 seven members appointed for a joint term of office. The number of 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 five -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 the 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.

6. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer's Parent Company.

The Company's Articles of Association 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 Company's Articles of Association. The Parent 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, no 33 item 259 as amended), informs shareholders of intended amendments to the Company's Articles of Association 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.

7. The manner of functioning of the General Meeting and its principal 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 10 June 2014, the General Meeting was convened by the Parent Company's Management Board through a notice published on the Parent 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 of 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, sale and transfer of rights of property use, property encumbrance, establishing tail property rights on the Company property (decisions on such matters are reserved for the Parent Company's Supervisory Board).

Representatives of the media may be present during the General Meeting.

The participants of the Annual General Meeting of the Parent 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.

8. 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. The Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting during which also the number of Supervisory Board members is established. From among its members, the Supervisory Board appoints the Vice-chairman and, if necessary, the secretary. 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/ Members of the Supervisory Board for the remaining part of the term of office.

The term of office of the Supervisory Board is four years. General Meeting of Fabryki Mebli "FORTE" S.A. established on 10 June 2014 a five-person Supervisory Board of the Company in the new term of office. In 2014, the Supervisory Board of Fabryki Mebli "FORTE" S.A. was composed of:

Zbigniew Sebastian - Chairman,

Władysław Frasyniuk - Vice-Chairman until 10 June 2014,

Tomasz Domagalski,

Stanisław Krauz,

Marek Rocki (until 10 June 2014)

Stefan Golonka (from 10 June 2014) — Vice-Chairman from 10 June 2014,

The exclusive competence of the Supervisory Board includes in particular adopting resolutions on matters regarding:

- a) 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,
- b) taking out loans exceeding the Company's financial plan,
- c) granting sureties to the amount exceeding in total the equivalent of EUR 150,000,
- d) taking over the obligations of third parties,

- e) accepting and establishing pledges and other collaterals, except for a pledge and collaterals related to the ordinary business of the Company in the amount not exceeding in total the equivalent of EUR 150,000,
- 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,
- g) leasing the enterprise or its part,
- h) purchasing and selling establishments and branches of the Company,
- i) selling the Company's enterprise or its part,
- j) approving employee participation in profits and granting special pension rights,
- establishing the annual plan for the enterprise (in particular investment and financial plans), as well as strategic plans,
- 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 within 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. Pursuant to the approved by General Meeting of Shareholders of FABRYKI MEBLI "FORTE" S.A. on 10 June 2014 changes within the Company's Articles of Association, the Management Board consists of one to seven members appointed for a joint term of office. The Management Board of FABRYKI MEBLI "FORTE" S.A. was appointed for joint 5-year term of office for the years 2014-2019. Within the period from 1 January to 31 December 2014 the Management Board of the Company consisted of:

Maciej Formanowicz - President of the Management Board,

Robert Rogowski – Vice-President of the Management Board – performed the function until 10 January 2014,

Gert Coopmann - Member of the Management Board,

Klaus Dieter Dahlem - Member of the Management Board,

Mariusz Jacek Gazda - Member of the Management Board, - has performed the function from 1 March 2014

Maria Małgorzata Florczuk – Member of the Management Board, –has performed the function from 7 May 2014

Rafał Prendke – Member of the Management Board, – performed the function from 1 August 2014 until 4 February 2015

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	Member of the Management Board
Maciej Formanowicz	Gert Coopmann
Member of the Management Board	Member of the Management Board
Klaus Dieter Dahlem	Maria Florczuk
Member of the Management Board	
Mariusz Gazda	

Ostrów Mazowiecka, 17 March 2015