



# **FABRYKI MEBLI „FORTE” S.A.**

**Condensed financial statements for the  
period of 6 months ended on 30th June 2016**

Prepared in accordance with the International  
Financial Reporting Standards



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**Independent Auditor's Review Report**  
**on the condensed interim consolidated financial statements**  
**for the period from 1 January 2016 to 30 June 2016**

This document is a translation.  
The Polish original should be referred to in matters of interpretation.

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## Independent Auditor's Review Report on the condensed interim consolidated financial statements for the period from 1 January 2016 to 30 June 2016

to the Shareholders and Supervisory Board of Fabryki Mebli FORTE S.A

We have reviewed the accompanying condensed interim consolidated financial statements of the Fabryki Mebli FORTE S.A. Group (hereinafter referred to as "the Group"), where the holding company is Fabryki Mebli FORTE S.A. (hereinafter referred to as "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 30 June 2016;
- the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the period from 1 January 2016 to 30 June 2016;
- notes to the consolidated financial statements.

The consistency of these condensed interim consolidated financial statements with International Accounting Standard 34 "Interim Financial Reporting", which has been endorsed by the European Union, as well as with other binding regulations, is the responsibility of the Holding Company's Management Board.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Council of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the consolidated financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the consolidation documentation and using information provided by the management and employees in charge of the Group's finances and accounting.

The scope and methodology of a review of condensed interim consolidated financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

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Based on our review nothing has come to our attention that would prevent us from finding that the condensed interim consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been endorsed by the European Union.

Warszawa, 30 August 2016

BDO Sp. z o.o.  
ul. Postępu 12  
02-676 Warszawa  
Authorized Audit Company No. 3355

Auditor in charge:

**Artur Staniszewski**  
Audit Partner  
Certified Auditor No. 9841

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

**Dr. André Helin**  
Managing Partner  
Certified Auditor No. 90004



Ladies and Gentlemen, Dear Shareholders,

It is with great satisfaction that I present you with the consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the first half of 2016.

In the first 6 months of the year, the FABRYKI MEBLI "FORTE" S.A. Capital Group achieved a turnover of PLN 540 mln representing an increase of 21% compared with the same period in 2015. Our net profit achieved a level of 54 mln, which is 46% more in comparison with last year. This resulted in a very satisfactory EBITDA margin of 15,2%.

Our sales results confirm the leading position of FABRYKI MEBLI "FORTE" S.A. on the European market for RTA furniture. The sales growth rates have been above average on all of our key markets, with particular emphasize on the German-speaking countries, Spain and Portugal, France and Poland. Progress in the market penetration in other Central European Countries as well as in Great Britain equally confirms that the adopted business model and properly tailored product offer are highly regarded by our Customers, reinforcing our confidence to reach our business targets.

FABRYKI MEBLI "FORTE" S.A. continues to be on track with its strategic 6-year production capacity development plan. The planning for the construction of our own wood-based panels factory and the fifth furniture factory are well advanced and proceed according to schedule. Also, current investments into logistics and warehousing structures as well as into the increase of the capacities of our existing factories proceed according to our plans.

Our strategy of investing into our staff's qualifications continues to bear fruit. The launch of the so-called "FORTE Academy", our dedicated training program for senior and middle management as well as for our production staff has been very well received by our Employees. We are convinced that the program will further enhance our market position through the improvement of our work quality, efficiency and staff motivation.

We would like to thank our Shareholders for the trust they are putting into our company and its staff. It is reflected in the continuously positive development of our share price, through this development investors were able to generate a 25,5 % investment yield for themselves, not taking into account the PLN 1 dividend for 2015.

On behalf of the Management Board I would like to thank all our Employees for their ongoing dedication and contribution to achieving together such good results.

Maciej Formanowicz

President of the Management Board

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**SELECTED FINANCIAL DATA**

	In thousand PLN		In thousand EUR	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
<b>Data concerning the separate financial statement</b>				
<b>Net revenue from sales of products, trade goods and materials and services</b>	553 924	445 639	126 452	107 796
Operating profit (loss)	53 912	41 307	12 307	9 992
Profit (loss) before tax	58 917	47 385	13 450	11 462
Profit (loss) of the period	48 567	39 078	11 087	9 453
Total net income for the period	28 866	44 446	6 590	10 751
Net cash flow from operating activities	79 069	48 608	18 050	11 758
Net cash flows from investing activities	(105 332)	(11 884)	(24 046)	(2 875)
Net cash flow from financial activities	9 539	(41 791)	2 178	(10 109)
Net increase /decrease in cash and cash equivalents	(16 724)	(5 067)	(3 818)	(1 226)
Number of shares (in units)	23 901 084	23 751 084	23 901 084	23 751 084
Declared or paid out dividend per share (in PLN/EUR):	1,00	2,00	0,23	0,48
Profit / loss per ordinary share (in PLN/EUR)	2,03	1,65	0,46	0,40
	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>30.06.2016</b>	<b>31.12.2015</b>
Total assets	756 976	681 394	171 049	159 895
Total liabilities	313 981	243 364	70 948	57 108
Long-term liabilities	103 867	20 563	23 470	4 825
Short-term liabilities	210 114	222 801	47 478	52 282
Equity	442 995	438 030	100 101	102 788
Share capital	23 901	23 901	5 4001	5 609
Book value per share (in PLN/EUR)	18,53	18,33	4,19	4,30

**PROFIT AND LOSS ACCOUNT**

	Period of 6 months ended	
	30 June 2016 (unaudited)	30 June 2016 (unaudited)
<b>Continued activity</b>		
Revenue from sales of goods, products and materials	537 141	442 862
Revenue from sales of services	16 783	2 777
<b>Sales revenue</b>	<b>553 924</b>	<b>445 639</b>
Cost of sales of sold products, goods and materials	(327 824)	(284 791)
Cost of sales of sold services	(14 047)	(1 611)
<b>Cost of sales</b>	<b>(341 871)</b>	<b>(286 402)</b>
<b>Gross profit from sales</b>	<b>212 053</b>	<b>159 237</b>
Other operating revenue	2 085	2 696
Costs of sales	(134 133)	(99 149)
General administrative costs	(22 352)	(17 072)
Other operating costs	(3 741)	(4 405)
<b>Operating profit (loss)</b>	<b>53 912</b>	<b>41 307</b>
Financial revenue		
Financial costs	7 289	6 170
Profit (loss) on derivative financial instruments	(2 347)	(1 407)
<b>Profit (loss) before tax</b>	<b>63</b>	<b>1 315</b>
Income tax		
<b>Profit (loss) on continued operations of the period</b>	<b>58 917</b>	<b>47 385</b>
	(10 350)	(8 307)
<b>Discontinued operations</b>		
Profit (loss) on discontinued operations of the period	<b>48 567</b>	<b>39 078</b>
<b>Continued activity</b>		
Revenue from sales of goods, products and materials	-	-
	-	-
<b>Profit (loss) of the period</b>	<b>48 567</b>	<b>39 078</b>
Profit (loss) per share for the period:		
- basic	2,03	1,65
- diluted	2,03	1,65



**STATEMENT OF COMPREHENSIVE INCOME**

	Period of 6 months ended	
	30 June 2016 (unaudited)	30 June 2016 (unaudited)
<b>Profit (loss) of the period</b>	<b>48 567</b>	<b>39 078</b>
<b>Other net comprehensive income, including:</b>	<b>(19 701)</b>	<b>5 368</b>
<b>Items which in the future will not be reclassified to the profit and loss account</b>	<b>532</b>	<b>496</b>
Revaluation of employee benefit obligations	-	-
Deferred tax regarding employee benefits	-	-
Incentive Scheme	532	496
<b>Items which in the future may be reclassified to the profit and loss account</b>	<b>(20 233)</b>	<b>4 872</b>
Hedge accounting	(24 979)	6 009
Income tax on other comprehensive income	4 746	(1 137)
<b>Total comprehensive income for the period</b>	<b>28 866</b>	<b>44 446</b>

**STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)**

	30 June 2016 (unaudited)	Status as at 31 December 2015 (audited)	30 June 2015 (unaudited)
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>406 190</b>	<b>293 050</b>	<b>281 123</b>
Tangible fixed assets	242 997	227 921	222 901
Intangible assets	1 124	1 124	16 484
Investment properties	-	-	31 279
Financial assets	159 080	64 005	10 459
Assets on account of deferred income tax	2 989	-	-
<b>Current assets</b>	<b>350 786</b>	<b>388 344</b>	<b>342 384</b>
Reserves	132 977	138 879	146 803
Trade and other receivables	184 422	184 243	138 272
Receivables due to derivative financial instruments	-	5 673	10 861
Accruals	2 061	2 859	2 816
Financial assets	2 208	10 844	535
Cash and cash equivalents	29 118	45 846	43 097
<b>TOTAL ASSETS</b>	<b>756 976</b>	<b>681 394</b>	<b>623 507</b>
<b>LIABILITIES</b>			
<b>Equity</b>	<b>442 995</b>	<b>438 030</b>	<b>401 959</b>
Share capital	23 901	23 901	23 751
Surplus of share sale above their nominal value	113 214	113 214	111 646
Revaluation reserve from hedging instruments	(15 637)	4 596	8 797
Capital from merger	(1 073)	(1 073)	(1 073)
Incentive Scheme	1 822	1 290	1 786
Other reserve capital	248 859	194 824	194 824
Retained earnings	71 909	101 278	62 228
<b>Long-term liabilities</b>	<b>103 867</b>	<b>20 563</b>	<b>110 383</b>
Interest-bearing loans and borrowings	99 728	11 094	92 495
Deferred income tax provision	-	4 871	12 625
Provision for benefits after the employment period	3 330	3 330	3 215
Accruals	25	37	49
Financial liabilities due to lease	784	1 231	1 999
<b>Short-term liabilities</b>	<b>210 114</b>	<b>222 801</b>	<b>111 165</b>
Trade and other receivables	84 694	80 615	71 042
Current portion of interest-bearing loans and borrowings and securities	54 020	103 535	10 443
Income tax liabilities	5 553	3 598	1 702
Financial instrument derivatives liabilities	19 305	-	-
Provisions and accrued liabilities	45 615	34 054	26 706
Financial liabilities due to lease	927	999	1 272
<b>Total liabilities</b>	<b>313 981</b>	<b>243 364</b>	<b>221 548</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>756 976</b>	<b>681 394</b>	<b>623 507</b>

**CASH FLOW STATEMENT**

	Period of 6 months ended		
	30 June 2016 (unaudited)	30 June 2016 (unaudited)	30 June 2016 (unaudited)
<b>Cash flow from operating activity</b>			
<b>Profit/ (loss) of the period</b>	<b>48 567</b>	<b>77 936</b>	<b>39 078</b>
<b>Adjustments by:</b>	<b>30 502</b>	<b>(4 488)</b>	<b>9 530</b>
Amortisation	10 303	19 282	9 156
Foreign exchange (profit)/loss	3 974	1 186	(584)
Net interest and dividends	(6 121)	(4 330)	(4 826)
(Profit)/ Loss on investing activity	192	(106)	(348)
Change in the valuation of derivative financial	4 746	(151)	(1 137)
Change in receivables	(175)	(39 692)	6 276
Change in inventories	5 903	10 134	2 210
Change in liabilities, excluding loans and borrowings	4 706	17 709	8 550
Change in accruals and deferrals	9 358	6 359	(980)
Change in provisions	(4 871)	(6 115)	1 684
Income tax paid	(11 509)	(26 009)	(18 727)
Current tax recognised in profit or loss	13 464	16 938	7 760
Provision for retirement benefits	-	307	-
Incentive Scheme valuation	532	-	496
<b>Net cash flow from operating activities</b>	<b>79 069</b>	<b>73 448</b>	<b>48 608</b>
<b>Cash flows from investing activities</b>			
Sale of tangible fixed assets and intangible assets	203	1 296	425
Purchase of tangible fixed assets and intangible assets	(26 400)	(37 547)	(17 368)
Sale of financial assets	-	-	-
Purchase of financial assets	(75 097)	(86)	(10)
Dividends received	6 745	5 418	5 391
Interest received	68	56	28
Borrowings granted	(31 309)	(13 134)	(360)
Repayment of borrowings granted	20 458	20	10
<b>Net cash flow from investment activities</b>	<b>(105 332)</b>	<b>(43 977)</b>	<b>(11 884)</b>
<b>Cash flows from financial activities</b>			
Inflows from loans and borrowings taken out	-	1 718	-
Repayment of loans and borrowings	37 848	33 603	10 003
Dividends paid	(3 140)	(16 639)	(3 059)
Interest paid	(23 901)	(47 502)	(47 502)
Repayment of leasing liabilities	(749)	(1 163)	(592)
Inflows from loans and borrowings taken out	(519)	(1 718)	(641)
<b>Net cash flow from financial activities</b>	<b>9 539</b>	<b>(31 701)</b>	<b>(41 791)</b>
<b>Net increase /decrease in cash and cash equivalents</b>	<b>(16 724)</b>	<b>(2 230)</b>	<b>(5 067)</b>
Net foreign exchange differences	4	23	(65)
<b>Opening balance of cash</b>	<b>45 846</b>	<b>48 099</b>	<b>48 099</b>
<b>Cash at end of period, including:</b>	<b>29 118</b>	<b>45 846</b>	<b>43 097</b>
of limited disposability	-	-	-

**STATEMENT OF CHANGES IN EQUITY**

for the period of 6 months ended on 30 June 2016 (nonaudited)

	Share capital	Surplus of share sale above their nominal value	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>as at 01 January 2016:</b>	<b>23 901</b>	<b>113 214</b>	<b>101 278</b>	<b>4 596</b>	<b>194 824</b>	<b>(1 073)</b>	<b>1 290</b>	<b>438 030</b>
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-
<b>As at 01 January 2016 after adjustments</b>	<b>23 901</b>	<b>113 214</b>	<b>101 278</b>	<b>4 596</b>	<b>194 824</b>	<b>(1 073)</b>	<b>1 290</b>	<b>438 030</b>
Write-off of previous years' result for reserve capital	-	-	(54 035)	-	54 035	-	-	-
Dividend for 2015 to be paid	-	-	(23 901)	-	-	-	-	<b>(23 901)</b>
Current result	-	-	48 567	-	-	-	-	<b>48 567</b>
Hedge accounting	-	-	-	(20 233)	-	-	-	<b>(20 233)</b>
Incentive Scheme valuation	-	-	-	-	-	-	532	<b>532</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>48 567</b>	<b>(20 233)</b>	<b>-</b>	<b>-</b>	<b>532</b>	<b>28 866</b>
<b>as at 30 June 2016:</b>	<b>23 907</b>	<b>113 214</b>	<b>71 909</b>	<b>(15 637)</b>	<b>248 859</b>	<b>(1 073)</b>	<b>1 822</b>	<b>442 995</b>

**STATEMENT OF CHANGES IN EQUITY**

for the year ended on 31 December 2015

	Share capital	Surplus of share sale above their nominal value	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>as at 01 January 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>97 762</b>	<b>3 925</b>	<b>167 714</b>	<b>(1 073)</b>	<b>1 290</b>	<b>405 015</b>
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-
<b>As at 01 January 2015 after adjustments</b>	<b>23 751</b>	<b>111 646</b>	<b>97 762</b>	<b>3 925</b>	<b>167 714</b>	<b>(1 073)</b>	<b>1 290</b>	<b>405 015</b>
Company capital increase	150	-	-	-	-	-	-	<b>150</b>
Write-off of previous years' result for reserve capital	-	-	(27 110)	-	27 110	-	-	-
Settlement of incentive scheme SHARES OF G SERIES	-	1 568	-	-	-	-	-	<b>1 568</b>
Payment of dividend for 2014	-	-	(47 502)	-	-	-	-	<b>(47 502)</b>
Provisions for employee benefits	-	-	192	-	-	-	-	<b>192</b>
Current result	-	-	77 936	-	-	-	-	<b>77 936</b>
Hedge accounting	-	-	-	671	-	-	-	<b>671</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>78 128</b>	<b>671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78 799</b>
<b>as at 31 December 2015:</b>	<b>23 901</b>	<b>113 214</b>	<b>101 278</b>	<b>4 596</b>	<b>194 824</b>	<b>(1 073)</b>	<b>1 290</b>	<b>438 030</b>

**STATEMENT OF CHANGES IN EQUITY**

for the period of 6 months ended on 30 June 2015 (nonaudited)

	Share capital	Surplus of share sale above their nominal value	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Capital from merger	Incentive Scheme	Total
<b>as at 01 January 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>97 762</b>	<b>3 925</b>	<b>167 714</b>	<b>(1 073)</b>	<b>1 290</b>	<b>405 015</b>
Changes in Accounting Principles (Policy)						-		
Error corrections						-		
<b>As at 01 January 2015 after adjustments</b>	<b>23 751</b>	<b>111 646</b>	<b>97 762</b>	<b>3 925</b>	<b>167 714</b>	<b>(1 073)</b>	<b>1 290</b>	<b>405 015</b>
Write-off of previous years' result for reserve capital	-	-	(27 110)	-	27 110	-	-	-
Dividend for 2014 to be paid	-	-	(47 502)	-	-	-	-	<b>(47 502)</b>
Provisions for employee benefits	-	-	-	-	-	-	-	-
Current result	-	-	39 078	-	-	-	-	39 078
Hedge accounting	-	-	-	4 872	-	-	-	4 872
Incentive Scheme valuation	-	-	-	-	-	-	496	496
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>39 078</b>	<b>4 872</b>	<b>-</b>	<b>-</b>	<b>496</b>	<b>44 446</b>
<b>as at 30 June 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>62 228</b>	<b>8 797</b>	<b>194 824</b>	<b>(1 073)</b>	<b>1 786</b>	<b>401 959</b>



**ACCOUNTING POLICY AND SELECTED EXPLANATORY NOTES****1. GENERAL INFORMATION**

FABRYKI MEBLI „FORTE” S.A. (Company) is a joint-stock company with registered seat in Ostrów Mazowiecka, at ul. Biała 1 the shares of which are available within public trading.

Main activities of the Company include:

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

On 30 August 2016 interim condensed financial statement of the Company for the period of 6 months ended on 30 June 2016 was approved for publication by the Management Board.

The Company elaborated also the interim condensed consolidated financial statement of the Company for the period of 6 months ended on 30 June 2016 which was approved for publication by the Management Board on 30 August 2016.

**Company's investments**

The Company owns investments in the following subsidiaries:

Subsidiaries	Headquarters	Scope of activities	Percentage share of the Group in capital	
			30.06.2016	30.06.2016
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%
Forte Baldai UAB	Vilnius (Lithuania)	Dealership	100%	100%
Forte SK S.r.o	Bratislava (Slovakia)	Dealership	100%	100%
Forte Furniture Ltd.	Preston (United Kingdom)	Dealership	100%	100%
Forte Iberia S.l.u.	Valencia (Spain)	Dealership	100%	100%
Forte Mobilier S.a.r.l.	Lyon (France)	Dealership	100%	100%
Forte Mobila S.r.l.	Bacau (Romania)	Dealership	-	100%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	81%	77,01%
<i>*Galeria Kwadrat Sp. z o.o.</i>	<i>Bydgoszcz</i>	<i>Facilities Management</i>	<i>81%</i>	<i>77,01%</i>
TM Handel Sp. z o.o.	Warszawa	Advisory services regarding conducting business activity and management	100%	100%
TM Handel Sp. z o.o. S.K.A.	Ostrów Mazowiecka	Purchase, sale and management of real estate, advisory services regarding conducting business activity and management	100%	100%
<i>**Fort Investment Sp. z o. o.</i>	<i>Ostrów Mazowiecka</i>	<i>Purchase, sale and management of real estate, advisory services regarding conducting business activity and management</i>	<i>100%</i>	<i>100%</i>
DYSTRI Sp. z o.o.	Warszawa	Storage and warehousing of goods	100%	100%
TANNE Sp. z o.o.	Warszawa	Production activity	100%	100%
ANTWERP Sp. z o.o.	Warszawa	Activity of central companies and holdings	100%	100%
Forestivo Sp. z o.o.	Suwałki	Service activity related to forestry, timber goods production	50%	-
ANTWERP Sp. jawna	Wrocław	Intellectual property lease, property management	100%	100%

<i>TERCEIRA Sp. z o.o.***</i>	<i>Warszawa</i>	<i>Activity of central companies and holdings, property rental and management</i>	<i>100%</i>	<i>100%***</i>
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\* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.

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

\*\*\* indirectly related company - 100% subsidiary of ANTWERP Sp. jawna

#### Description of changes in Company investments within the reporting period

On January 19, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on transformation of the company Antwerp Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo- Akcyjna into Spółka z ograniczoną odpowiedzialnością Spółka jawna. The registration of a legal form took place on March 01, 2016. On May 31, 2016 the Meeting of Shareholders of Antwerp Spółka z ograniczoną odpowiedzialnością Spółka jawna made a decision on termination of Antwerp without conducting the liquidation and division of the assets of Antwerp between its partners. As a result of the abovementioned, in order to divide the assets between the partners, the Dominant Company on May 31, 2016 concluded the agreement of transfer with Antwerp to FORTE all 1,100 shares in share capital of the company under the name Terceira Spółka z ograniczoną odpowiedzialnością with its seat in Warsaw with a nominal value of 50 PLN each and total nominal value of 55 thous. PLN., which constitute 100% of share capital of Terceira. As of May 31, 2016 the value of shares amounts to in total 207,605 PLN. On July 26, 2016 the company was deleted from the register of entrepreneurs.

On January 22, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing share capital of the company Kwadrat Sp. z o.o. from the amount of PLN 4,763 to PLN 5,763 by creating 1000 new shares with nominal value with 1 000 PLN each in exchange for cash contribution in the amount of PLN 1,000 100% of newly created shares were covered by Fabryki Mebli „FORTE” S.A. The registration of increasing share capital took place on May 17, 2016. After a change, the percentage share of the Dominant company in the capitals of the company Kwadrat increased from 77,01 % to 81%.

On February 5, 2016 the Management Board of the Dominant Unit learned the information on completion on February 5, 2016 the liquidation procedure of the subsidiary FORTE MOBILA S.R.L. with its seat in Bacau (Romania)

On February 5, 2016 the resolution was made by the Extraordinary Meeting of Shareholders on increasing the share capital of the company DYSTRI-FORTE Sp. z o.o. from the amount of 5 thous. PLN to 55 thous. PLN by creating 100 new shares with a nominal value of 500 PLN each in exchange for the cash contribution of 3,995 PLN. The surplus of the value of cash contribution above the nominal value of the shares covered was transferred for the inventory capital of the company. 100% of shares in increased share capital of DYSTRI-FORTE Sp. z o.o. was covered by Fabryki Mebli „FORTE” S.A. Registration of the share capital took place on February 29, 2016.

On February 5, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders in increasing share capital of the company TANNE Sp. z o.o. from the amount of 5 thous. PLN to 55 thous. PLN by creating 100 new shares with a nominal value of 500 PLN each in exchange for the cash contribution in the amount of 3,495 PLN. The surplus of the value of the cash contribution above the nominal value of the shares covered was transferred for the inventory capital of the Company. 100% of shares in increased share capital of TANNE Sp. z o.o. were covered by Fabryki Mebli „FORTE” S.A.

On May 5, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing the share capital of the company from the amount 55 thous. PLN to 60 thous. PLN by means of creating 10 new shares with a nominal value of 500 PLN each in exchange for cash contribution in the amount of 12,000 PLN.

On June 13, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing the share capital of the company TANNE Sp. z o.o. from the amount of 60 thous. PLN to 100 thous. PLN by means of creating 80 new shares with a nominal value of 500 PLN each in exchange for the cash contribution in the amount of 54,505 PLN. The surplus of the value of cash contribution above the nominal value of the covered shares was transferred to the inventory capital of the Company. 100% of shares in increased share capital of TANNE Sp. z o.o. were covered by Fabryki Mebli „FORTE” S.A.

On February 15, 2016 the District Court for Warsaw capital city, XIII Economic Division of the National Court Register made registration of increasing the share capital of the company TERCEIRA Sp. z o.o. from 5 thous. PLN to 55 thous PLN. 100% of shares in increased share capital of TERCEIRA Sp. z o.o. were covered by ANTWERP Sp. z o.o. -XXXIV-S.K.A in exchange for the cash contribution in the amount of 207,600 PLN. The surplus of the value of cash contribution above the nominal value of shares was transferred for the inventory capital of the company.

On March 15, 2016 the Dominant Company established jointly with AM&HP Sp. z o.o. a subsidiary FORESTIVO Sp. z o.o. With its seat in Suwałki, the main subject of activity being the assurance of the raw mineral for the production of plywood. The share capital of the company amounts to 200 thous. PLN and is divided into 1000 shares with a nominal value of 200

PLN each. Fabryki Mebli „Forte” S.A. have 50 % share in newly created Company. The registration in NCR took place on 15.06.2016.

On May 10, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing of the share capital of the company Galeria Kwadrat Sp. z o.o. from the amount of 17,305 PLN to 17,310 PLN by means of creating 100 new shares with a nominal value of 50 PLN each in exchange for the cash contribution in the amount of 1,000 PLN 100% of the newly created shares was covered by Spółka Kwadrat Sp. z o.o. Registration of the increase of share capital took place on July 22, 2016.

### Basis of elaboration

The hereby interim condensed financial statement of the Company ( Interim condensed separate financial statement) has been drawn up in accordance with the International Accounting Standards (IAS) 34-Interim Financial Reporting (IFR 34) and compliant with the appropriate accounting standards applicable to interim financial reporting approved by EU, published and in force at the time of preparation of the hereby interim condensed separate financial statement of the Company.

Unaudited interim separate financial statements do not cover all information and disclosures required within annual financial statement and ought to be read solely together with the Annual Financial Statement of the Company for the year 2015, elaborated in compliance with International Financial Reporting Standards.

Interim financial result ought not to be treated as an indication of financial result for the entire financial year. Within the interim separate financial statement costs which arise during the financial year unevenly are anticipated or deferred only when the above costs ought to be anticipated or ought to be subject to deferral at the end of a given financial year.

The hereby interim condensed separate financial statement has been drawn up i Polish currency in thousand zloty.

### Changes in accounting principles / principles of presenting data in financial statements

Changes in standards and new interpretations in force for annual periods commencing on or after 1 January 2016 have been presented in the condensed consolidated financial statement of the Capital Group Fabryki Mebli "FORTE" S.A. for the period of 6 months ended on 30 June 2016.

### Summary of significant accounting policies

Principles (policy) of accounting applied to elaboration of interim condensed financial statement in accordance with these which were applied while preparing annual financial statement of the Company for the year ended on 31 December 2015 with the exception of applying changes to standards and new interpretations in force for annual periods commencing on or after 1 January 2016.

#### 2. ERROR ADJUSTMENT

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

#### 3. SEASONALITY OF OPERATIONS

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

The value of sales revenue achieved in the presented reporting periods is presented below:

<b>Revenues from sales of products, materials, goods and services</b>	Sales revenue	Share %
Q I 2016	299 848	-
Q II 2016	254 076	-
<b>Total 1st half 2016</b>	<b>553 924</b>	<b>-</b>
Q I 2015	254 932	26,70%
Q II 2015	190 707	19,98%
<b>Total 1st half 2015</b>	<b>445 639</b>	<b>46,68%</b>
<b>TOTAL 2015</b>	<b>954 706</b>	<b>100,00%</b>

**4. REVENUE AND COSTS****SALES REVENUE AND GEOGRAPHIC STRUCTURE**

Sales revenue	For the reporting period ended	
	30.06.2016	30.06.2015
<b>Revenue from sales of goods, products and materials</b>		
- products	528 006	435 871
- goods	3 898	4 244
- materials	5 237	2 747
<b>Revenue from sales of services</b>	<b>16 783</b>	<b>2 777</b>
<b>Total net revenue from sales</b>	<b>553 924</b>	<b>445 639</b>
<b>Geographic structure:</b>		
- domestic	86 954	70 346
- export	466 970	375 293
<b>Total net revenue from sales</b>	<b>553 924</b>	<b>445 639</b>
- including from related entities	36 049	17 796

**Information on key customers**

The biggest customer for the products of the Company is Roller GmbH with its seat in Germany and Steinhoff International Group with its seat in France. Their mutual share in turnover exceeded 10% of the total Company revenue.

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

**OTHER OPERATING REVENUE**

Other operating revenue	For the reporting period ended	
	30.06.2016	30.06.2015
Release of write-downs on current assets	29	208
Revaluation of investment real properties	-	1 421
Subsidies	12	12
Compensations	1 778	886
Other	266	169
<b>Total other operating revenue</b>	<b>2 085</b>	<b>2 696</b>

**OTHER OPERATING COSTS**

Other operating revenue	For the reporting period ended	
	30.06.2016	30.06.2015
Creation of revaluation write-downs	1 346	25
Liquidation and impairment write-downs on property, plant and equipment	41	-
Loss on disposal of property, plant and equipment	179	1 074
Scrapping of inventory	1 494	1 987
Subsidies	195	61
Penalties and Compensations	317	1 152
Legal fees	69	20
Other	100	86
<b>Total other operating costs</b>	<b>3 741</b>	<b>4 405</b>

Within the reporting period ended on 30.06.2016 the Company created write-off of reserves of replacement parts in the amount of PLN 1,346. Decision regarding creating the write-off was caused by a permanent replacement of machinery park into a more modern which makes some replacement parts lose their purpose. Write-off was indicated in the financial statements within the item of other operating costs.

**FINANCIAL REVENUE**

Financial revenue	For the reporting period ended	
	30.06.2016	30.06.2015
Dividends	6 745	5 391
Interest	544	779
<b>Financial revenue, total</b>	<b>7 289</b>	<b>6 170</b>

**FINANCIAL COSTS**

Financial costs	For the reporting period ended	
	30.06.2016	30.06.2015
Interest on loans and leasing	610	547
Commission on loans	125	53
Exchange differences of financial assets and liabilities	1 612	803
Other	-	4
<b>Financial costs, total</b>	<b>2 347</b>	<b>1 407</b>

**COSTS BY TYPE**

Costs by type	For the reporting period ended	
	30.06.2016	30.06.2015
Amortisation	10 303	9 156
Consumption of materials and energy	249 682	218 690
External services	113 596	90 739
Taxes and fees	3 540	4 015
Payroll	68 691	58 187
Social insurance and other benefits	17 975	14 631
Licence fees	10 560	-
Other costs by type	4 380	4 377
	<b>478 727</b>	<b>399 795</b>
Change in product inventory and accruals	13 715	(817)
Manufacturing cost of products for internal purposes	(2 042)	(1 314)
Costs of sales	(134 133)	(99 149)
General administrative costs	(22 352)	(17 072)
<b>Manufacturing cost of sold products and services</b>	<b>333 915</b>	<b>281 443</b>
<b>Value of goods and materials sold</b>	<b>7 956</b>	<b>4 959</b>
<b>Cost of sales</b>	<b>341 871</b>	<b>286 402</b>

**Information on key suppliers**

The strategic supplier of raw materials for Forte Group is PFLEIDERER Group the share of which in the turnover exceeded 10 % of revenue from sale of the Group.

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

**5. CHANGES IN ACCOUNTING ESTIMATES**

As at 30 June 2016, the Group made the following changes in accounting estimates in comparison to 31 December and 30 June 2015:

**Deferrals**

Accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Motor and property insurance	299	837	251

Fairs	-	576	7
Research and development works	973	1 218	1 472
Corporate services	79	-	-
Business trips	370	-	540
Perpetual usufruct of land	340	228	546
	<b>2 061</b>	<b>2 859</b>	<b>2 816</b>

Non-current provisions	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Deferred tax assets	-	4 871	12 625
Benefits after the employment period	3 330	3 330	3 215
Other provisions	-	-	-

Rezerwy i rozliczenia międzyokresowe bierne

Long-term accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
<b>Long-term accrued income due to:</b>			
Subsidy to purchased tangible fixed assets	25	37	49

Short-term accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
<b>Accrued expenses due to:</b>			
Commissions	2 539	2 380	1 821
Bonuses for customers	21 162	18 054	11 668
Leaves	2 722	1 941	2 561
Bonuses	3 970	5 102	2 360
Balance sheet audit costs	33	34	32
External services	13 006	4 369	6 332
Other	39	178	41
<b>Short-term provisions:</b>			
Short-term provision for benefits after the employment period	122	122	167
Guarantee repairs	1 998	1 850	1 700
<b>Accrued income due to:</b>			
Subsidy to purchased tangible fixed assets	24	24	24
	<b>45 615</b>	<b>34 054</b>	<b>26 706</b>

The amount of PLN 21,162 is a provision created by the Group for future bonuses payable due to sales realised in 2016 to customers. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 13,006 is a provision created by the Group for the costs of external services, in particular: transportation, marketing, insurance of receivables and utilisation services.

As at the balance sheet date ended 30 June 2016, the Group created a provision for the bonus for the Management Board in the amount of PLN 3,970.

#### Changing write-downs on assets

	30.06.2016	31.12.2015	30.06.2015
Write-downs updating share value	399	426	426



Write-downs on short-term receivables	1 252	2 459	2 837
Write-downs on tangible fixed assets	3	3	3
Write-downs on inventory	7 430	2 733	2 394

**Write-downs on receivables**

	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	2 459	3 022	3 022
Creation	-	114	25
Utilisation	1 177	(450)	(2)
Release	30	(227)	(208)
Impairment write-off as at balance date	<b>1 252</b>	<b>2 459</b>	<b>2 837</b>

Use of write-off for receivables in the amount of PLN 1,169 concerns the ended in QI of 2016 process of liquidation of the Romanian subsidiary of Forte Mobila S.r.l.

**Impairment write-offs for the value of fixed assets**

	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	3	3	3
Creation	-	1 100	1 100
Release	-	(1 100)	(1 100)
Impairment write-off as at balance date	<b>3</b>	<b>3</b>	<b>3</b>

## Write-downs on inventory

	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	2 733	3 034	3 034
Creation	4 964	-	-
Release	(267)	(301)	(640)
Impairment write-off as at balance date	<b>7 430</b>	<b>2 733</b>	<b>2 394</b>

Within the reporting period ended on 30.06.2016 the Company created write-off of the following categories of reserves: replacement parts in the amount of PLN 1,346, goods in the amount of PLN 709 thousand and output stocks in the amount of PLN 2,909. The Management of Company decided to cover 100% with a write-off of all reserves of output stocks and goods the non-moving stock of which in a warehouse does not exceed 360 days. Regardless of the created write-off the Company conducts an active policy of sale of weakly rotating reserves.

**Inventories revaluation write-downs**

	30.06.2016	31.12.2015	30.06.2015
<b>Inventories revaluation write-downs</b>			
Impairment write-off as at 1 January	426	426	426
Creation	-	-	-
Release	(27)	-	-
Impairment write-off as at balance date	<b>399</b>	<b>426</b>	<b>426</b>

**6. INCOME TAX**

	For the reporting period ended	
Income tax	30.06.2016	30.06.2015

<b>Current income tax</b>		
Current charge due to income tax	13 360	7 754
Adjustments related to current income tax from previous years	(311)	6
<b>Tax on account of share in revenue of joint-stock company in relations to change into unlimited company</b>	415	-
<b>Deferred income tax</b>		
Relating to the origination and reversal of temporary differences	(3 114)	547
<b>Tax expense reported in the profit and loss account</b>	<b>10 350</b>	<b>8 307</b>

## 7. FINANCIAL ASSETS

### Shares in subsidiaries as of 30 June 2016:

Name	Type of relation	Date of control/significant impact takeover	Value of shares according to purchase price	Valuation adjustments	Balance value of shares
MV Forte GmbH	Subsidiary	14.08.1992	1 838	-	1 838
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte Möbel AG	Subsidiary	02.03.1999	352	-	352
Forte SK S r o	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63
Forte Mobilier S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
Kwadrat Sp. z o.o.	Subsidiary	18.12.2008	6 514	-	6 514
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TANNE Sp. z o.o.	Subsidiary	26.02.2015	70 005	-	70 005
DYSTRI-FORTE Sp. z o.o.	Subsidiary	13.02.2015	4 000	-	4 000
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	-	5
ANTWERP Sp.z o.o. SKA	Subsidiary	03.09.2015	51 042	-	51 042
FORESTIVO Sp. z o.o	Subsidiary	15.03.2016	102	-	102
<b>TOTAL</b>			<b>134 636</b>	<b>(399)</b>	<b>134 237</b>

### Shares in subsidiaries as of 31 December 2015:

Name	Type of relation	Date of control/significant impact takeover	Value of shares according to purchase price	Valuation adjustments	Balance value of shares
MV Forte GmbH	Subsidiary	14.08.1992	1 838	-	1 838
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte Möbel AG	Subsidiary	02.03.1999	352	-	352
Forte SK S r o	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63

Forte Mobilier S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
Kwadrat Sp. z o.o.	Subsidiary	18.12.2008	5 514	-	5 514
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	(12)	-
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TANNE Sp. z o.o.	Subsidiary	26.02.2015	5	-	5
DYSTRI-FORTE Sp. z o.o.	Subsidiary	13.02.2015	5	-	5
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	-	5
ANTWERP Sp. z o.o. SKA	Subsidiary	03.09.2015	51 042	-	51 042
<b>TOTAL</b>			<b>59 551</b>	<b>(411)</b>	<b>59 40</b>

## 8. INTANGIBLE ASSETS

The balance sheet value of machinery and equipment used as at 30 June 2016 by the Group on the basis of financial lease agreements and lease agreements with the option of repurchase is PLN 2,599 , (as at 31 December 2015: PLN 3,194 , as at 30 June 2015: PLN 4,412) of which PLN 645 thousand concerns leasing of machines and equipment, PLN 1,881-leasing of transport means and PLN 73 thousand lease of other fixed assets.

### Pledged assets as security

Land and buildings with the balance sheet value of PLN 92,639 (As at 31 December 2015: PLN 79,215, as at 30 June 2015: PLN 73,842) are covered by mortgages established to secure bank loans.

Additionally, machinery and equipment with the balance sheet value of PLN 44,695 are subject to registered pledge (as at 31 December 2015: PLN 46,749, as at 30 June 2015: PLN 42,271).

Capitalised external financing costs in the reporting period ended 30 June 2016 did not occur (As at 31 December 2015: did not occur, as at 30 June 2015: PLN 63 thousand).

### Capital commitments

As at 30 June 2016 investment liabilities of the Company amount to PLN 750 thousand. (As at 31 December 2015: PLN 1,376, as at 30 June 2015: PLN 964 thousand).

### Purchase and sale

In the 6-month period ended 30 June 2016, the Group purchased tangible fixed assets with a value of PLN 25,432 (in the comparative period ended 30 June 2015: PLN 16,731) and sold tangible fixed assets with a net value of PLN 131 thousand (in the comparative period ended 30 June 2015: PLN 1,432).

The most significant investments of the Company in the 1st half of 2016 include: expenditure incurred for the purchase of Schelling saw with unloading station, production lines IMA with uploading station and expenditure for modernization of furniture store in Ostrów Mazowiecka.

## 9. CASH AND CASH EQUIVALENTS

For the purposes of the interim condensed cash flow statement, cash and its equivalents comprise the following items:

Cash and cash equivalents	Status as at		
	30.06.2016	31.12.2015	30.06.2015

Cash in bank and in hand	5 801	10 082	9 249
Other cash (overnight deposits and deposits under three months, corporate bonds)	23 317	35 764	33 848
Cash in bank and in hand attributable to discontinued operations	-	-	-
<b>Total cash and cash equivalents</b>	<b>29 118</b>	<b>45 846</b>	<b>43 097</b>

Cash and cash equivalents at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are conducted for periods of time from one day to three months- depending on the current requirements of the Company for funds and they are subject to negotiated individually interest rates. The fair value of cash and cash equivalents as at 30 June 2016 is PLN 29,118 (As at 31 December 2015: PLN 45,846, as at 30 June 2015: PLN 43,097).

As at 30 June 2016, the Group did not hold cash of limited disposability (as at 31 December 2015 and 30 June 2015: did not occur).

## 10. SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL

### Share capital

In the reporting period ended 30 June 2016 there were no changes in the initial capital of the Parent Entity (year 2015: emission of 150,000 items of ordinary shares of G series of nominal value of 1 PLN each).

### Share premium

During the 6 months ended on 30 June 2016 no events occurred which would cause a change in share premium above their nominal value (year 2015: an increase in capital from sale of shares above their nominal value in relation to the realization of incentive scheme for the Members of Management occurred. The amount of increase amounted to PLN 1,568).

Other capital

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2016:	1 250	193 574	194 824
Write-down on gains for investments and the financing of the current activities of the Group	-	54 035	54 035
<b>as at 30 June 2016:</b>	<b>1 250</b>	<b>247 609</b>	<b>248 859</b>

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2015:	1 250	166 464	167 714
Write-down on gains for investments and the financing of the current activities of the Group	-	27 110	27 110
<b>as at 30 June 2015:</b>	<b>1 250</b>	<b>193 574</b>	<b>194 824</b>

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2015:	1 250	166 464	167 714
Write-down on gains for investments and the financing of the current activities of the Group	-	27 110	27 110
<b>as at 30 June 2015:</b>	<b>1 250</b>	<b>193 574</b>	<b>194 824</b>

#### Reserve capital from dividend fund and other reserve capitals

	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Accumulated result obtained on financial instruments securing cash flows at the beginning of the financial period	4 596	3 925	3 925
Amount included in own capital in the reporting period on account of hedge transactions	(24 898)	5 088	9 043
Amount transferred to the profit and loss account for:			
- <i>ineffectiveness of realized transactions</i>	(63)	(2 255)	(1 152)
- <i>realization of hedge transactions</i>	(18)	(2 012)	(1 882)
- <i>discontinuation of hedge accounting</i>	-	-	-
Deferred income tax	4 746	(150)	(1 137)
<b>Accumulated result obtained on financial instruments securing cash flows at the end of the financial period</b>	<b>(15 637)</b>	<b>4 596</b>	<b>8 797</b>

#### 11. DIVIDEND PAID AND PROPOSED

By virtue of a resolution of the Annual General Meeting of 17 May 2016, the decision was made to distribute the Company net profit for the financial year 2015 in the amount of PLN 77,936, allocating PLN 23,901 to the payment of dividend and PLN 54,035 to supplementary capital. The amount of dividend shall amount to PLN 1 per 1 share. The dividend record date was set for 25 May 2016. Dividend was paid on 13 June 2016.

By virtue of a resolution of the Annual General Meeting of 19 May 2015, the decision was made to distribute the Company net profit for the financial year 2014 in the amount of PLN 74,612, allocating PLN 47,502 to the payment of dividend and PLN 27,110 to supplementary capital. The amount of dividend shall amount to PLN 2 per 1 share. The dividend record date was set for 27 May 2015. Dividend was paid on 11 June 2015.

#### 12. EARNINGS PER SHARE

Calculation of number of shares used for calculating the indicator of profit(loss) per one share was disclosed within the note 22 of the interim consolidated financial statement.

#### 13. INTEREST-BEARING LOANS AND BORROWINGS

Short-term	Nominal interest rate %	Due date	30.06.2016	31.12.2015
mBank S.A. – investment loan in the amount of PLN 2,400 EUR- -short-term portion	1 M EURIBOR	by 31.12.2018	2 655	2 557
mBank S.A. – working capital loan in the amount of 1 thousand EUR- -short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 15.12.2016	5 218	5 065
PKO BP S.A. – investment loan in the amount of PLN 3,500 EUR- -short-term portion	1 M EURIBOR	by 22.12.2018	3 261	3 140

PKO BP S.A.– working capital credit in the amount of PLN 100,000 - short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	-	51 138
ING Bank Śląski S.A. – working capital credit in the amount of PLN 45,000- long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31.10.2016	42 886	41 635
<b>Total short-term</b>			<b>54 020</b>	<b>103 535</b>

Long-term	Nominal interest rate %	Due date	30.06.2016	31.12.2015
PKO BP S.A.– working capital credit in the amount of PLN 100,000- long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	91 165	-
PKO BP S.A. – investment loan in the amount of EUR 3,500 - -long-term portion	1 M EURIBOR	by 22.12.2018	4 788	6 180
mBank S.A. – investment loan in the amount of EUR 2,400 -long-term portion	1 M EURIBOR	by 31.12.2018	3 775	4 914
<b>Long-term total</b>			<b>99 728</b>	<b>11 094</b>

Credit collaterals	30 June 2016
PKO BP S.A. – investment loan in the amount 3 500 EUR.	<ol style="list-style-type: none"> <li>Registered pledge on purchased movable assets of the value not exceeding EUR 5,130.</li> <li>Cession of rights of insurance policy</li> <li>blank promissory note issued by the Borrower with promissory note declaration</li> </ol>
mBank S.A. – investment loan in the amount EUR 2,400	<ol style="list-style-type: none"> <li>Registered pledge on the purchased machinery and devices up to the maximum amount of guarantee of EUR 3,600.</li> <li>Cession of rights of insurance policy</li> </ol>
PKO BP S.A. – working capital loan in the amount PLN 100,000	<ol style="list-style-type: none"> <li>Total bail stipulated mortgage up to the amount of PLN 120,000 on perpetual usufruct right to developed property of the Company and buildings located therein constituting a separate to land subject of ownership, located in Hajnówka at ul. 3-ego Maja 51 and Ostrów Mazowiecka at ul. Biała 1</li> <li>Own blank promissory note with promissory note declaration, transfer of rights from property insurance contracts on which the mortgage was established</li> <li>Registered pledge on reserves of items marked in terms of type, located in the branch in Hajnówka in the amount of PLN 32,456</li> </ol>
ING Bank Śląski S.A. – working capital loan in the amount PLN 45,000	<ol style="list-style-type: none"> <li>Registered pledge on movable assets in the factory in Suwałki and Ostrów Mazowiecka up to the highest sum of security of PLN 54,000 with cession of rights from insurance contract</li> <li>Collective open-end mortgage up to the amount of PLN 54,000 on the perpetual usufruct right of land and right of ownership to buildings in factory in Suwałki together with cession of rights to insurance contract</li> </ol>
mBank S.A. – working capital loan in the amount 1,000 EUR.	<ol style="list-style-type: none"> <li>Blank promissory note with promissory note declaration</li> </ol>



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

Currency	Status as at		
	30.06.2016	31.12.2015	30.06.2015
PLN	-	-	5 043
EUR	136 623	97 862	81 947
USD	17 125	16 767	15 948
	<b>153 748</b>	<b>114 629</b>	<b>102 938</b>

Within the period of 6 months ended on 30 June 2016 the Group obtained a loan in the amount of PLN 37,848 and conducted repayments of loans for the total amount of PLN 3,140.

On 14 December 2015 the Company provided surety and obliged itself to execute all financial liabilities of the subsidiary DYSTRI-FORTE Sp. z o.o. with its seat in Warsaw at ul. Nowogrodzka 50/515 stemming from credit agreement of 14 December 2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Company obliged itself to fulfil all liabilities of the Borrower, covering in particular the total repayment of the main sum of the credit, interest, bank margin, fees and other costs up to the amount of EUR 8,700 until 29.10.2024 Credit balance as at 30 June 2016 amounts to PLN 23,179.

**14. FINANCIAL INSTRUMENTS**

During the reporting period, there were no changes in the classification financial instruments and no movements between individual hierarchy levels of financial instruments' fair value.

**15. HEDGING ACCOUNTING AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS****Fair value foreign exchange contracts**

As at 30 June 2016, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 19,305 and as the effective value it was recognised in total in Provisions from revaluation and receivables from derivative financial instruments (as of 31 December 2015: as liability in the amount of PLN 673 thousand).

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.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Exchange rate	Name of Bank	Fair value
EUR	3 000	Put Option	08.2014	08.2016	4,2500	PKO BP S.A.	9
EUR	3 000	Call Option	08.2014	08.2016	4,6550	PKO BP S.A.	(12)
EUR	9 000	Put Option	10.2014	09.2016-10.2016	4,2300	PKO BP S.A.	87
EUR	9 000	Call Option	10.2014	09.2016-10.2016	4,5800	PKO BP S.A.	(292)
EUR	9 000	Put Option	06.2015	07.2017-09.2017	4,2260	PKO BP S.A.	479
EUR	9 000	Call Option	06.2015	07.2017-09.2017	4,5000	PKO BP S.A.	(1 631)
EUR	21 000	Put Option	07.2015	07.2017-12.2017	4,2700	PKO BP S.A.	1 482
EUR	21 000	Call Option	07.2015	07.2017-12.2017	4,5166	PKO BP S.A.	(4 033)
EUR	15 500	Put Option	08.2015	09.2017-06.2018	4,2800	PKO BP S.A.	1 312
EUR	15 500	Call Option	08.2015	09.2017-06.2018	4,6670	PKO BP S.A.	(2 608)
EUR	48 000	Put Option	10.2015	08.2016—	4,3000	PKO BP S.A.	3 820
EUR	48 000	Call Option	10.2015	08.2016—	4,6300	PKO BP S.A.	(7 787)
EUR	12 000	Put Option	11.2015	10.2018-11.2018	4,3000	PKO BP S.A.	1 198

EUR	12 000	Call Option	11.2015	10.2018-11.2018	4,7070	PKO BP S.A.	(2 448)
EUR	24 000	Put Option	04.2016	01.2019-03.2019	4,3500-4,4000	PKO BP S.A.	2 868
EUR	24 000	Call Option	04.2016	01.2019-03.2019	4,8500-4,9250	PKO BP S.A.	(3 637)

<b>Total</b>								<b>PKO BP S.A.</b>	<b>(11 193)</b>
EUR	3 000	Put Option	08.2014	07.2016	4,2300	mBank S.A.	-		
EUR	3 000	Call Option	08.2014	07.2016	4,6000	mBank S.A.	(8)		
EUR	6 000	Put Option	10.2014	08.2016-09.2016	4,2200-4,2500	mBank S.A.	26		
EUR	6 000	Call Option	10.2014	08.2016-09.2016	4,5440	mBank S.A.	(153)		
EUR	15 000	Put Option	11.2014	10.2016-12.2016	4,2300	mBank S.A.	257		
EUR	15 000	Call Option	11.2014	10.2016-12.2016	4,6100	mBank S.A.	(647)		
EUR	10 500	Put Option	12.2014	01.2017-03.2017	4,3000	mBank S.A.	476		
EUR	10 500	Call Option	12.2014	01.2017-03.2017	4,6030-4,6770	mBank S.A.	(600)		
EUR	18 500	Put Option	08.2015	09.2017-06.2018	4,2800	mBank S.A.	1 532		
EUR	18 500	Call Option	08.2015	09.2017-06.2018	4,6400	mBank S.A.	(3 191)		
EUR	25 500	Put Option	12.2015	01.2018-11.2018	4,3500	mBank S.A.	2 854		
EUR	25 500	Call Option	12.2015	01.2018-11.2018	4,6700	mBank S.A.	(4 820)		
EUR	5 000	Put Option	05.2016	01.2019-04.2019	4,4500	mBank S.A.	738		
EUR	5 000	Call Option	05.2016	01.2019-04.2019	4,9250	mBank S.A.	(691)		

<b>Total</b>								<b>mBank S.A.</b>	<b>(4 227)</b>
EUR	3 000	Put Option	08.2014	07.2016	4,2500	ING Bank Śląski	1		
EUR	3 000	Call Option	08.2014	07.2016	4,6412	ING Bank Śląski	(4)		
EUR	4 000	Put Option	12.2014	08.2016-11.2016	4,3000	ING Bank Śląski	81		
EUR	4 000	Call Option	12.2014	08.2016-11.2016	4,5000	ING Bank Śląski	(230)		
EUR	32 000	Put Option	06.2015	01.2017-06.2017	4,2000	ING Bank Śląski	991		
EUR	32 000	Call Option	06.2015	01.2017-06.2017	4,4818	ING Bank Śląski	(4 549)		
EUR	37 000	Put Option	01.2016	10.2017-12.2018	4,4500	ING Bank Śląski	5 544		
EUR	37 000	Call Option	01.2016	10.2017-12.2018	4,7800	ING Bank Śląski	(5 720)		
EUR	15 000	Put Option	04.2016	01.2019-03.2019	4,4000	ING Bank Śląski	1 952		
EUR	15 000	Call Option	04.2016	01.2019-03.2019	4,8950	ING Bank Śląski	(2 192)		
EUR	10 000	Put Option	05.2016	04.2019	4,4500	ING Bank Śląski	1 460		
EUR	10 000	Call Option	05.2016	04.2019	4,9600	ING Bank Śląski	(1 300)		
EUR	22 000	Put Option	06.2016	05.2019-06.2019	4,4500	ING Bank Śląski	3 161		

EUR 22 000 Call Option 06.2016 05.2019-06.2019 4,9600 ING Bank Śląski (3 080)

**Total** **ING Bank Śląski S.A.** **(3 885)**

## 16. RELATED PARTY TRANSACTIONS

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

Related entity		Sale to affiliated entities	Purchase from affiliated entities	Receivables from affiliated entities	Liabilities towards affiliated entities
Subsidiaries:					
MV Forte GmbH	30.06.2016	44	9 806	19	2 479
	31.12.2015	1 218	15 816	1 146	3 293
	30.06.2015	17	7 642	53	3 227
Forte Möbel AG	30.06.2016	18 058	1 257	7 538	730
	31.12.2015	32 974	2 515	6 948	869
	30.06.2015	14 737	1 031	3 196	410
Forte Baldai UAB	30.06.2016	-	92	-	15
	31.12.2015	-	176	-	14
	30.06.2015	-	87	-	15
Forte SK S.r.o.	30.06.2016	9	578	-	97
	31.12.2015	-	1 105	-	93
	30.06.2015	-	545	-	92
Forte Furniture Ltd.	30.06.2016	-	369	59	-
	31.12.2015	-	623	-	-
	30.06.2015	-	239	-	41
Forte Iberia S.l.u	30.06.2016	9	657	177	-
	31.12.2015	5	1 004	25	-
	30.06.2015	5	496	-	19
Forte Mobilier S.a.r.l.	30.06.2016	-	-	-	-
	31.12.2015	-	-	-	-
	30.06.2015	-	-	-	-
TM Handel Sp. z o.o.	30.06.2016	2 631	211	804	355
	31.12.2015	4 419	3 461	320	232
	30.06.2015	3 035	522	767	402
TM Handel Sp. z o.o. SKA	30.06.2016	1	-	-	-
	31.12.2015	1	-	-	-
	30.06.2015	1	-	-	-
Fort Investment Sp. z o.o. *	30.06.2016	1	-	-	-
	31.12.2015	-	-	-	-

	30.06.2015	1	-	-	-
Dystri Sp. z o.o.	30.06.2016	839	3 757	519	1 960
	31.12.2015	2 753	-	3 611	-
	30.06.2015	-	-	-	-
Terceira Sp. z o.o.**	30.06.2016	68	10 775	11	5 880
	31.12.2015	169	5 531	57	4 332
	30.06.2015	-	-	-	-
Tanne Sp. z o.o.	30.06.2016	14 389	-	17 128	-
	31.12.2015	766	-	941	-
	30.06.2015	-	-	-	-
Antwerp Sp. jawna	30.06.2016	-	-	-	-
	31.12.2015	16	1 266	-	-
	30.06.2015	-	-	-	-
<b>Total</b>	<b>30.06.2016</b>	<b>36 049</b>	<b>27 502</b>	<b>26 255</b>	<b>11 516</b>
	<b>31.12.2015</b>	<b>42 321</b>	<b>31 497</b>	<b>13 072</b>	<b>8 833</b>
	<b>30.06.2015</b>	<b>17 796</b>	<b>10 562</b>	<b>4 016</b>	<b>4 206</b>

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

\*\* indirectly related company – 100% subsidiary of Antwerp Sp. z o.o. Spółka jawna

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

#### Loans and credits granted to related entities

Within the reporting period ended on 30 June 2016 the Company granted the following sureties concerning investment liabilities of the subsidiary TANNE Sp. z o.o. :

-towards SIEMPELKAMP Maschinen - und Anlagenbau GmbH from the agreement on design, delivery, assembly and launch of parts of production line for production of chip board. Total net value of the agreement amounts to EUR 23,650. Term of completion of investment realization was planned for July 2018.

-for Büttner Energie - und Trocknungstechnik GmbH from the agreement on design, delivery, assembly and launch of parts of production line for production of chip boards. Total net value of the agreement amounts to EUR 15,000. Term of completion of realization of investment was scheduled for March 2018.

-for PAL SRL from the agreement on design, delivery, assembly and launch of part of production line for production of chip board. Total net value of investment amounts to EUR 22,947 (Initial value of agreement of 30.05.2016 amounted to EUR 19,500. On 03.08.2015 Annex to the agreement was concluded which expanded the scope of investment and increased the value of agreement up to EUR 22,947). Completion term for realization of the investment was planned for May 2018.

-for BUDIMEX S.A. from agreement on comprehensive realization of investment tasks and general contracting system in the form of design and construction of production-warehouse building with an area of approx. 33,600 sqm in completely finished state. Total net value of the agreement amounts to PLN 28,550. Completion term for the investment was scheduled for February 2017.

Interest rates of loans are set on the basis of the variable interest rate 1M EURIBOR/ 3M EURIBOR/ 3M WIBOR plus margin on market conditions.

The balance of granted loans as at 30/06/2016 is presented within the table below:

Related entity	Amount of loan in currency	Loan currency	Payment term	Loan balance as at 30.12.2015 in PLN thousand	Interest amount as at 30.06.2016
Kwadrat Sp. z o. o.	439	EUR	July 2019	1 441	3
Galeria Kwadrat Sp. z o.o.	1 254	PLN	June 2021	1 020	6
Fort Investment Sp. z o.o.	5 000	PLN	December 2020	660	14

Dystri- Forte Sp. z o.o.	227	EUR	June 2017	1 005	-
Dystri- Forte Sp. z o.o.	7 620	PLN	June 2016	-	68
Fort Mobilier S.a.r.l.	10	EUR	December 2017	44	-
Tanne Sp. z o.o.	10 000	PLN	June 2023	22 128	-
Antwerp Sp. z o.o.	30	PLN	December 2016	30	-
TM- Handel Sp. z o.o. SKA	10	PLN	December 2016	10	-
<b>Total:</b>				<b>26 338</b>	<b>91</b>
<b>Including:</b>					
<b>Short-term portion:</b>					
Kwadrat Sp. z o. o.				360	-
Galeria Kwadrat Sp. z o.o.				340	-
Dystri- Forte Sp. z o.o.				1 005	-
Fort Investment Sp. z o.o.				350	-
Fort Mobilier S.a.r.l.				22	-
Antwerp Sp. z o.o.				30	-
TM- Handel Sp. z o.o. SKA				10	-
<b>Total:</b>				<b>2 117</b>	<b>-</b>
<b>Long-term portion:</b>					
Kwadrat Sp. z o. o.				1 081	3
Galeria Kwadrat Sp. z o.o.				680	6
Fort Investment Sp. z o.o.				310	14
Dystri- Forte Sp. z o.o.				-	68
Fort Mobilier S.a.r.l.				22	-
Tanne Sp. z o.o.				22 128	-
<b>Razem:</b>				<b>24 221</b>	<b>91</b>

Balance of loans granted to subsidiaries as at 31/12/2015:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31.12.2015	Value of interest due as at 31.12.2015
Kwadrat Sp. z o. o.	439	EUR	June 2018	1 388	3
Galeria Kwadrat Sp. z o.o.	1 254	PLN	June 2020	1 020	7
Fort Investment Sp. z o.o.	5 000	PLN	December 2015	2 802	17
Dystri- Forte Sp. z o.o.	7 620	PLN	June 2016	7 616	7
Dystri- Forte Sp. z o.o.	227	EUR	June 2016	967	-
Fort Mobilier S.a.r.l.	10	EUR	December 2017	43	-
Tanne Sp. z o.o.	1 700	PLN	February 2016	1 700	-
Antwerp Sp. z o.o.	10	PLN	July 2016	10	-
<b>Total:</b>				<b>15 546</b>	<b>34</b>
<b>Including:</b>					
<b>Short-term portion:</b>					
Kwadrat Sp. z i o				347	3
Galeria Kwadrat Sp. z o.o.				170	7
Dystri- Forte Sp. z o.o.				7 616	7
Dystri- Forte Sp. z o.o.				967	-
Tanne Sp. z o.o.				1 700	-
Antwerp Sp. z o.o.				10	-
Fort Investment Sp. z o.o.				-	17
<b>Total:</b>				<b>10 810</b>	<b>17</b>
<b>Long-term portion:</b>					
Kwadrat Sp. z i o				1 041	-

Galeria Kwadrat Sp. z o.o.	850	-
Fort Mobilier S.a.r.l.	43	-
Fort Investment Sp. z o.o.	2 802	-
<b>Total:</b>	<b>4 736</b>	<b>-</b>

#### 17. TRANSACTIONS INVOLVING THE MANAGEMENT BOARD, KEY MANAGERIAL STAFF AND MEMBERS OF THEIR IMMEDIATE FAMILIES.

##### Incentive Scheme for Members of the Management Board of the Parent Company and the issue of series 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 a General Meeting of Shareholders of FABRYKI MEBLI „FORTE” S.A., approved a launch of the Incentive Scheme for the Members of Management Board ("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 arithmetic 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 2014.

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.

	<b>Series D</b>	<b>Series E</b>	<b>Series F</b>
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	<p>1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2014;</p> <p>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</p> <p>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</p>	<p>1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2015;</p> <p>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</p> <p>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</p>	<p>1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2016;</p> <p>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</p> <p>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</p>
	3/ serving as a Member of the Management Board for at least six months in the given period and remaining at the position at the end of the given period, as well as obtaining acknowledgement of fulfilment of duties of the Member of the Management Board of the Company during the given period		



Increase in net profit per one share of the Company, constituting a condition for the offering of warrants for a given period is established on the basis of consolidated annual accounts of the Capital Group, reviewed by the expert auditor and approved via a resolution of the Ordinary Meeting of Shareholders.

The execution of warrant rights may occur no earlier than after a year from the formal decision on their takeover and no later than until 30 November 2018.

Series of the incentive scheme are treated as separate programmes in the meaning of IFRS 2.

#### Fair value of the incentive scheme

Fair value for the programme for E series was established in the amount PLN 991 thousand. The statements prepared as at 30 June 2016 recognised the amount of PLN 532 thousand – in the increase of equity in the item: Incentive Scheme and in costs of employee benefits.

Number and weighted average prices of performance of warrants are as follows:

	Series	Number of warrants	Weighted average price
<b>Occurring as at 01.01.2016, including:</b>			
	D	118 740	46,19
	F	118 740	46,19
<b>Change and course of reporting period</b>			
		-	-
<b>Occurring as at 30.06.2016, including:</b>			
Possible for performance as on 30.06.2016	D	118 740	46,19
	F	118 740	46,19

#### Participation of higher managerial personnel within the program of employee actions

Within the reporting period none occurred.

#### Changes in the composition of the Supervisory Board.

In the reporting period no changes occurred.

#### 18. OFF-BALANCE SHEET ITEMS

On 27 March 2013 the Parent Company granted four guarantees of bank loans obtained by FURNIREX Sp. z o.o. with its seat in Hajnówka for the financing of technological investment of total value PLN 18,299. FURNIREX Sp. z o.o. submitted an offer to the Parent Company, in line with which it invested the funds obtained from technological loans in modern investments which were located in the production facility in Hajnówka rented out from Forte S.A. FURNIREX Sp. z o.o, assisted by modern technologies, conducts services of processing of common materials for FORTE and for other furniture producers.

Guarantees were given towards BRE Bank S.A. (present mBank S.A.) with validity period until 30 June 2018. As at 30 June 2016, loans balance amounted to PLN 2,236.

On December 14, 2015 the Company granted the surety and undertook to perform all cash liabilities of the subsidiary DYSTRI-FORTE Sp. z o.o. with its seat in Warsaw at ul. Nowogrodzka 50 flat 515 resulting from the credit agreement of 14.12.2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Company undertook to satisfy all liabilities of the Borrower, covering in particular the total payment of the principal, interest, commission, fees and other costs up to the amount of 8,700 EUR by 29.10.2024. The balance of the credit as of June 30, 2016 amounts to 23,170 PLN.

In the reporting period completed on June 30, 2016 the Company granted the following sureties for the investment liabilities of the subsidiary TANNE Sp. z o. o. :

- for SIEMPELKAMP Maschinen- und Anlagenbau GmbH from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the agreement is 23,650 EUR . The completion date of the realization of the investment was foreseen for July 2018.

- for Büttner Energie - und Trocknungstechnik GmbH from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the agreement is 15,000 EUR. The completion date of realization of the investment was foreseen for March 2018.

- for PAL SRL from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the investment is 22,947 EUR (Initial value of the agreement of 30.05.2016

amounted to 19,500 EUR. On 03.08.2016 the annex was signed to the agreement extending the scope of the investment and increasing the value of the agreement up to 22,947 EUR). The completion date of the realization of the investment was foreseen for May 2018.

- for BUDIMEX S.A. From the agreement for the complex realization of the investment task and the system of general workmanship in the form of designing and construction of the production-warehouse building with the area of about 33,600 m<sup>2</sup> in a completed finished status. A total net value of the agreement is 28,550 PLN. The completion date of the investment was foreseen for February 2017.

## 19. EVENTS WHICH OCCURRED POST BALANCE DATE

On 22 July 2016 the Company obtained notifications concerning transaction of obtaining 50,000 items of shares of the Company by person fulfilling managerial functions within the Company.

On 3 August 2016 the Company concluded an agreement with BDO Sp z o.o. for review and routine tests and a consolidated financial statement for the year 2016. BDO Sp. z o.o. is an entity authorized to conduct financial statements, entered onto the list of National Chamber of Statutory Auditors under the number 3355. Company used the services of BDO Sp. z o.o. in the scope of training and advisory services and in the scope of review and routine test and consolidated financial statement for the years 2012-2015. Basis for conclusion of the agreement shall be the resolution of the Supervisory Board no. 14/2012 from 29 June 2012 on selection of statutory auditor for FABRYKI MEBLI „FORTE” SA and Capital Group FABRYKI MEBLI FORTE S.A.

On 8 August 2016 the Company obtained a notification from the District Court in Bielsko Podlaska IX Off-site Department of Land and Mortgage Register in Hajnówka regarding entry on 4 August 2016 towards PKO BP S.A., increase of total normal stipulated mortgage up to the amount of PLN 120,000 on perpetual usufruct rights to developed land properties and devices, constituting a separate to land subject of ownership, located in Hajnówka at ul. 3-ego Maja 51, for which District Court in Bielsko Podlaskie IX Off-site Department of Land and Mortgage Register in Hajnówka conducts land and mortgage registered with number BI2P/00017202/7.

on 12 August 2016 the Company concluded with subsidiary Tanne Sp. z o.o. an Annex to the loan agreement of 13 June 2016 increasing the loan up to the amount of EUR 20,000 with a date of last drawdown on 30 June 2018. Drawdown may occur in PLN or EUR currency. Repayment will occur in 20 instalments starting from 30 September 2018.

On 12 August 2016 the Company concluded with ING Bank Śląski S.A. a subsequent supplementary agreement to loan agreement of 24 June 2003. The subject of supplementary agreement is an increase of loan amount up to the amount of PLN 100,000. Lona collateral is own blank promissory note with promissory note declaration, registered pledge up to the maximum amount of surety of PLN 120,000 on movable assets in the form of reserves located in the plant in Suwałki at ul. Północna 30 and in Ostrów Mazowiecka at ul. Biała 1. The value of registered pledge on movable assets located in plant in Suwałki at ul. Północna was also increased from the maximum amount of surety of PLN 54,000 to the amount PLN 120,000. An additional surety remains capped total mortgage up to the amount of PLN 54,000 established on perpetual usufruct rights to the land property located in Suwałki at ul. Północna 30 and on property right to buildings and devices located therein and cession of rights from insurance policies with the subject of movable assets.

On 19 August 2016 the company obtained a notification from the District Court in Ostrów Mazowiecka, Vth Department of Land and Mortgage Register regarding an entry on 17 August 2016 towards PKO BP S.A., increase of total contractual capped mortgage up to the amount of PLN 120,000 on perpetual usufruct rights to developed properties of the Company and buildings and devices located on these properties, which constitute a separate to land subject of ownership, located in Ostrów Mazowiecka at ul. Biała no. 1 for which District Court in Ostrów Mazowiecka, Vth Department of Land and Mortgage Register conducts land and mortgage register number OS1M/00000739/8.

On 26 August 2016 the Company concluded an agreement for zero-cost sale transactions of Call option and purchase of Put option securing against the currency risk:

-with PKO BP S.A. bank

1. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-10
2. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-10
3. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-24
4. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-24
5. 3.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-12
6. 3.000.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-12
7. 3.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-26
8. 3.000.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-26

The total nominal amount of the transactions amounts to EUR 46 million (EUR 23 million for each option type), which is equivalent to the amount of PLN 199,042 million.

**Signature of the person entrusted with bookkeeping:**

**Anna Wilczyńska**

.....

**Signatures of all members of the Management Board:**

**President of the Management Board**

**Maciej Formanowicz**

.....

**Member of the Management Board**

**Maria Florczuk**

.....

**Member of the Management Board**

**Klaus Dieter Dahlem**

.....

**Member of the Management Board**

**Gert Coopmann**

.....

**Member of the Management Board**

**Mariusz Gazda**

.....

Ostrów Mazowiecka 30 August 2016



# FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

Management Board's report on the operations  
of the Capital Group in the first half of 2016

FABRYKI MEBLI  
„FORTE” S.A.  
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07-300 Ostrów Mazowiecka  
Polska  
[www.forte.com.pl](http://www.forte.com.pl)

Ostrów Mazowiecka, 30th August, 2016

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## I. CURRENT FINANCIAL-OPERATIONAL SITUATION

The hereby report on activities of the Capital Group of the Issuer of Fabryki Mebli "FORTE" in the first half of 2016 was drawn up on the basis of § 90 Ordinance of the Minister of Finance of 19 February 2009 on the current and periodic information provided by issuers of securities and the conditions of regarding as equivalent of the information required by the member state (Polish Journal of Laws of 29 February 2009, no. 33 item 259 as amended).

### 1. Basic information on Capital Group Fabryki Mebli FORTE

#### 1.1. Information on Parent Company of the Group

FABRYKI MEBLI "FORTE" S.A. was formed through a transformation of "FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint-stock company on 9 December 1994. Originally, i.e. from 17 June 1992, the Company operated under the name "FORTE" Sp. z o.o. On 25 November 1993, under the notarial deed, "FORTE" Sp. z o.o. was incorporated by the Company under the name FABRYKI MEBLI "FORTE" Sp. z o.o. The Company conducted business activities until its transformation into a joint-stock company.

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, 14th Commercial Division of the National Court Register, 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 activities through its four production facilities:

- 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 showrooms in Ostrów Mazowiecka, Suwałki, Białystok, Wrocław, Toruń, Przemysł and Warsaw.

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (full consolidation method):	Headquarters	Scope of activities	Percentage share of the Group in capital	
			30 .06 .2016	30 .06 .2016
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	81%	77,01%
<i>*Galeria Kwadrat Sp. z o.o.</i>	<i>Bydgoszcz</i>	<i>Facilities Management</i>	<i>81%</i>	<i>77,01%</i>
TM Handel Sp. z o.o. SKA	Ostrów Mazowiecka	Purchase, sale and management of real estate, advisory services regarding conducting business activity and management	100%	100%
<i>**Fort Investment Sp. z o. o.</i>	<i>Ostrów Mazowiecka</i>	<i>Purchase, sale and management of real estate, advisory services regarding conducting business activity and management</i>	<i>100%</i>	<i>100%</i>
TANNE Sp. z o.o.	Warsaw	Production activity	100%	100%
DYSTRI-FORTE Sp. z o. o.	Warsaw	Storage and warehousing of goods	100%	100%

ANTWERP Sp. z o.o. spółka jawna****	Wrocław	Intellectual property lease, property management	100%	100%
TERCEIRA Sp. z o.o.***	Warsaw	Activity of central companies and holdings, rental and management of real estate	100%	100%

\* indirectly related company - 100% dependent from Kwadrat Sp. z o.o.

\*\* indirectly related company - 100% dependent from TM Handel Sp. z o.o.

\*\*\* indirectly related company - 100% dependent from ANTWERP Sp. z o.o. General partnership, from 26.07.2016 directly related

\*\*\*\* the company was deleted from the register of entrepreneurs on 29.07.2016.

- the remaining subsidiaries which were excluded from consolidation on the basis of the negligible impact of their financial data on consolidated accounts:

Other entities	Headquarters	Scope of activities	Percentage share of the Group in the capital 30.06.2016
Forte Baldai UAB	Vilnius(Lithuania)	Dealership	100%
Forte SK s.r.o.	Bratysława (Slovakia)	Dealership	100%
Forte Furniture Ltd.	Preston Lancashire (Great Britain)	Dealership	100%
Forte Iberia SLU	Valencia (Spain)	Dealership	100%
Forte Mobilier SARL	Lyon (France)	Dealership	100%
TM Handel Sp. z o.o.	Warsaw	Advisory services regarding conducting business activity and management	100%
Antwerp Sp. z o.o.	Warsaw	Activity of central companies and holdings	100%
Forestivo Sp. z o.o.	Suwałki	Intellectual property lease, property management	50%

As at 30.06.2016 and 31.12.2015, 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

Description of changes in the composition of the Group was presented in point 2 of the half-year consolidated financial statements for the first half of 2016.

#### 1.2. Management Board of Parent Company

##### The composition of the Management Board as at the balance day of 30 June 2016 and as per the date of report publication

Maciej Formanowicz- President of the Management Board

Mariusz Gazda – Member of the Management Board

Klaus Dieter Dahlem- Member of the Management Board

Gert Coopmann- Member of the Management Board

Maria Florczuk – Member of the Management Board

#### 1.3. Mission and policy of the Capital Group of Fabryki Mebli FORTE

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

The target of Capital Group Fabryki Mebli FORTE is:

- Constant increase of company value and through this-ensuring higher than normal return on investment for the shareholders,

- Ensure supplies of goods and services which meet the expectations of Recipients in the wide scope of their needs, including specific market conditions,
- Achieve full satisfaction of our Customers,
- Strengthen the opinion of a credible and reliable partner,
- Build creating relations in the working environment by shaping the awareness and personality of people,
- Provide conditions ensuring safety and health at work,
- Conduct activities in an environmentally acceptable way,
- Engage in preserving FSC values

The above policy is realized 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.

#### 1.4. Key events participated by the Parent Company in the first half of 2016:

<b>I HALF OF 2016</b>	<ul style="list-style-type: none"> <li>• <b>14 -17 January 2016</b> - BEGROS trade fair, Germany FORTE presented its products at two stands with the total surface area of 424 m2. 8 programmes from the group of the ready to assemble furniture, including two Terzlo and Quatrix in all functions (living room, dining room, bedroom, hallway). Terzlo and Quatrix were the most successful in this group. The Company prepared 11 new collections for the assembled furniture group. 7 of them were implemented to production.</li> <li>• <b>20 - 23 January 2016</b> - SARAGOSSA FERIA DEL MUEBLE trade fair, Spain Held once every two years, Saragossa Feria del Mueble trade fair is an important event for the furniture industry in Spain. The most important furniture manufacturers present their products there, and the event attracts thousands of visitors. Sales growth on the Iberian Peninsula is one of the elements of the FORTE's strategy for the following years. That is the reason of our presence there. The collections in "white shining" raised the special interest among clients.</li> <li>• <b>24 - 27 January 2016</b> – BIRMINGHAM NEC trade fair, the Great Britain FORTE presented several dozen collections, including new ones and programmes of the already existing offer. The clients liked the collections in dark and cold colours the most (especially Amerigo and Bellvue).</li> <li>• <b>19 February 2016</b> - FORTE signed a cooperation agreement with the city of Suwałki in order to develop the vocational education in the wood industry.</li> <li>• <b>8-11 March 2016</b>- The International Furniture Fair, Poznań The FORTE stand was awarded with the Acanthus Aureus Medal. It is an award for the best architectural and graphical solutions, which are conducive to direct communication with client and accentuates the image of the company presenting its offer at the trade fair.</li> <li>• <b>14-17 March 2016</b>- partnership trade fair, Paris, France The trade fair were organised by one of the FORTE trading partners specialising in furniture sales in France. Forte presented its debut stand there.</li> <li>• <b>8-10 and 11-13 May 2016</b>- trade fair in Messezentrum, Barntrup, Germany Partnertage fair organised for clients of the German market and fair organised by the Steinhoff Group.</li> <li>• <b>7-9 June 2016</b>- FORTE 2016 partner days Several hundred Polish and foreign trading partners visited Forte head office, where new furniture collections were presented.</li> </ul>
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### 1.5 Awards and honours

The professional monthly "Meble Plus" chose the best cabinet furniture manufacturers with the help of over 100 furniture stores from all over the Poland. The voting was conducted in a form of a survey, in which the partnership cooperation and the volume of trade in 2015 were evaluated. Fabryki Mebli FORTE S.A. have held the leadership position for several years now

RANKING PRODUCENTÓW MEBLI SKRZYNIOWYCH			
Lp.	Firma	Miasto	Województwo
1	FABRYKI MEBLI „FORTE” S.A.	Ostrów Mazowiecka	mazowieckie
2	Meble Wójcik	Elbląg	warmińsko-mazurskie
3	Black Red White	Biłgoraj	lubelskie
4	Mebin	Radomsko	łódzkie
5	Bydgoskie Meble	Bydgoszcz	kujawsko-pomorskie
6	Szynaka Meble	Lubawa	warmińsko-mazurskie
7	Paged-Meble	Jasienica	śląskie
8	Helvetia	Wieruszów	łódzkie
9	Fabryka Mebli Taranko	Morąg	warmińsko-mazurskie
10	Bog Fran	Raniżów	podkarpackie

- The winners of the three prestigious rankings of the WPROST magazine received awards for the biggest, the fastest developing and the most successful Polish companies abroad received awards on 23 May in the GPW head office. Among them there were representatives of different industry sectors, including furniture, information or finance industry. FABRYKI MEBLI "FORTE" took the II place in the category of "Polish Ambassadors". The prize was awarded on the basis of the export volume during the last two years. Jury took into consideration the dynamics of the export and its share in the company's sale. The company took the III place last year. The promotion reflects FORTE's growing position on the market and the continuous development of the company.



- In the 18th edition of the "List of 500" summary, where the editorial section of the "Rzeczpospolita" daily newspaper gathers the biggest companies operating on the Polish market, placing them in order according to the level of turnovers, Fabryki Mebli "FORTE" S.A. took the 285th place (in 2015 it took the 338th place).
- "Żółty Słonik" kindergarten took the 3rd place. Out kindergarten took the 3rd place in the prestigious "Bryła Roku" competition for the most interesting architectural building of the previous year in the category of the Internet User's Award.

## 2. Short description of other achievements or failures of Capital Group of the Issuer in the period of which the mid-year report concerns, together with the indication of key events related to them.

Group performance and basic economic and financial parameters:

Description	Total 1st half 2016 in thousand	Total 1st half 2015 in thousand PLN	Change in thousand PLN	Change %
Sales revenue	540 483	446 692	93 791	21,00%
Cost of sales	(331 287)	(287 293)	43 994	15,31%
Gross profit from sales	209 196	159 399	49 797	31,24%
Gross profit margin from sale %	38,7%	35,7%		
Costs of sales	(112 969)	(94 106)	18 863	20,04%
General administrative costs	(23 239)	(17 612)	5 627	31,95%
Operating profit (EBIT)	70 922	46 060	24 862	53,98%
EBITDA	82 131	55 405	26 726	48,24%
Gross profit	68 747	46 890	21 857	46,61%
Net profit	53 980	37 091	16 889	45,53%
Net return on sales %	9,99%	8,30%		
Return on equity (ROE)	11,04%	8,91%		
Return on assets (ROA)	6,56%	5,82%		

• In the first half of 2016, the FORTE Group generated **sales revenue** in the amount of PLN 540,5 million compared to PLN 446,70 million in the corresponding period of 2015 (an increase of 21%).

The export sales of the FORTE Group amounted to PLN 456.1 million - 84.4% of the total sales (in the first half of the 2015 - PLN 376 million - 84.2%). Sales in the Polish market amounted to PLN 84.4 million (15.6%) against PLN 70.7 million (15.8%) in the corresponding period of 2015.

The percentage of the sales on specific markets is structured as follows: German-speaking countries have 54.8 % (57.3% - 1H2015), Western and Northern Europe has 20.7% (18% - 1H2015), Poland has 15,6% (15.8 - 1H2015), Central, Southern and Eastern Europe has 8.8% (8.9% - 1H2015).

The sales growth rate remain above the average on all of the most important markets for the Group and in comparison with the corresponding period, in 2015 it was structured as follows: German-speaking countries - increased by 22%, Spain and Portugal - increased by 51%, France - increased by 26%, Poland - increased by 25%, The Great Britain - increased by 29%, The Czech Republic, Hungary, Slovakia - increased by 22%.

• **Gross margin** amounted to 38.7% , i.e. by 3 percentage points higher than in the corresponding period of the previous year.

The main causes of the improvement in viability are: a positive impact of an increase in the EUR/PLN exchange rate, an increased production scale of lower unit cost, a stable situation in the basic raw material market and a consistent budget discipline policy.

Gross profit on sales amounted to PLN 209.2 million and increased by 31.2% in comparison with the corresponding period of the previous year.

• **Selling costs** amounted to PLN 112.97 million and increased by 20.04% in comparison with the first half of 2015. However, charging incomes with sales costs slightly decreased in comparison with the 21.1% of the first half of the previous year and amounted to 20.09%.

• **General costs** amounted to PLN 23,3 million in relation to PLN 17.6 million in the comparative period. The general costs to revenue ratio was 4,3% against 3,9% in the previous year.

• The Group noted after the first half of 2016 a very significant increase of profit from operational activity (54%). It amounted to PLN 70,9 million (13,1% of revenues), in comparison to PLN 46,1 million in the analogous period in 2015.

• The **net profit** generated in the reporting period amounted to PLN 54 million (10% of revenue), as compared with PLN 37,1 million in the corresponding period of the previous year 8,3% of revenue).

Characteristics of the balance sheet structure	30.06.2016		31.12.2015		% Change in PLN '000
	in PLN '000	% of total assets	in PLN '000	% of total assets	
Non-current assets	388 632	47%	347 977	47%	31%
Current assets	434 852	53%	390 373	53%	(6%)
<b>Total assets</b>	<b>823 484</b>	<b>100%</b>	<b>738 350</b>	<b>100%</b>	
Equity	488 871	59%	478 458	65%	2%
Long-term liabilities and provisions	128 310	16%	41 095	6%	212%
Short-term liabilities and provisions	206 303	25%	218 797	29%	(6%)
<b>Total liabilities</b>	<b>823 484</b>	<b>100%</b>	<b>738 350</b>	<b>100%</b>	

As far as **current assets** are concerned, the most significant increase was in the trade liabilities receivables items and other receivables. The sum of PLN 66.5 million concerns down payments made by the TANNE Company for the purchase of the technological lines to the board factory.

There was an increase by PLN 40.7 million in the **capital assets**, mainly due to investment expenditure surplus over amortisation and due to the creation of the deferred income tax asset.

The most important investments of the Group in the first half of 2016 include: expenditure incurred on investment connected with the construction of the board factory in Suwałki in the amount of PLN 22.4 million, purchase of the Schelling saw together with the unloading station, the IMA production lines and expenditure on modernisation of the furniture store in Ostrowa Mazowiecka by the Parent Company.

As far as **liabilities** are concerned, the most important changes were in liabilities due to bank loans, provisions and accrued charges and liabilities due to financial derivatives.

**Liabilities due to bank loans** increased by PLN 42.5 million due to the partial financing of the investment expenditure of the Group incurred in a reporting period.

**Provisions** increased by PLN 11.1 million. The increase in comparison with the end of 2015 is mainly a result of the change in the recognition of costs in the Parent Company. Organisational changes with a view to improve and accelerate management reporting, enforced conducting most of the current cost accounting through provisions.

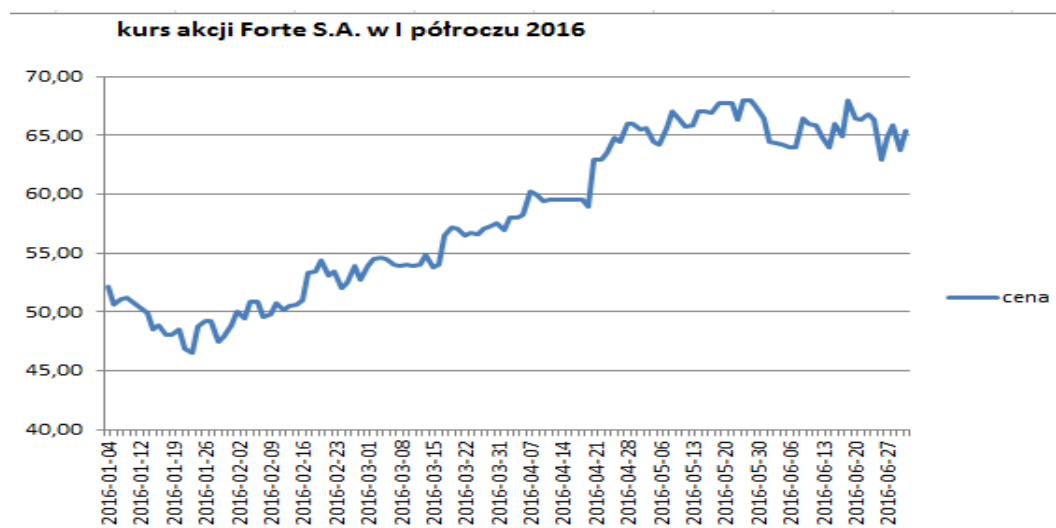
On account of the negative valuation of the hedging instruments for foreign currency risk the Group reported PLN 19.3 million of liabilities **due to derivative financial instruments**.

### 3. Listings of Fabryki Mebli "FORTE" S.A.

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

Key data concerning FORTE shares:

Key data	Total 1st half 2016	Total 1st half 2015
Company's net profit in PLN '000	48 567	39 078
The highest share price in PLN	68,00	62,40
The lowest share price in PLN	46,52	49,50
Share price at the end of the period in PLN	65,40	56,99
P/E indicator as of the end of the period	32,22	34,64
Number of shares on the stock exchange (in items)	23 901 084	23 751 084
Average daily trading volume (in items)	14 449	16 905



Forte S.A. share price for the three quarters of 2016

(source: <http://www.gpwinfostrafa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012>)

**4. Indication of results of changes within the structure of economic entity, including due to combining economic units, merger and sale of entities of Capital Group of the Issuer, long-term investments, divisions, restructuring and discontinuing of activities.**

Within the reporting period no changes in the Group structure occurred.

**5. Management Board's position regarding the viability of meeting previously published forecasts for a particular year**

The Issuer did not publish financial result forecasts for 2016.

**6. Information on shareholders having, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting as of the date of submission of the quarterly report.**

No.	Shareholder	Number of shares and votes	% share in company capital	% share in total number of votes
1.	MaForm S.A.R.L	7 763 889	32,48%	32,48%
2.	Metlife Otwarty Fundusz Emerytalny (MetLife OFE)	2 975 474	12,45%	12,45%
3.	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	2 300 000	9,62%	9,62%
4.	ING Otwarty Fundusz Emerytalny	1 200 000	5,02%	5,02%

**7. Summary of the number of Issuer's shares or stock options held by the Issuer's managers and supervisors as at the date of the submission of the semi-annual report .**

Issuer's managers and supervisors		Number of shares with nominal value of 1PLN per share
Gert Coopmann	Member of the Management Board	50 000
Zbigniew Sebastian	Chairman of the Supervisory Board	300

Mr Klaus Dieter Dahlem-Member of the Management Board of the Parent Company sold the total of 50,000 of Issuer's share units.

**8. Indication of court proceedings, competent for arbitration or public administration body.**

The Issuer is not a party in any proceeding where value of the dispute would constitute individually or collectively 10% of its equity.

**9. Information regarding conclusion by the Issuer or its subsidiary one or more transactions with affiliated entities.**

All transactions with related entities are conducted under market terms used by the Issuer in relations with unrelated entities. Detailed information regarding transactions with affiliated entities are concluded in note 16 of condensed financial statements.

**10. Information regarding credit or loan guarantees granted by the Issuer or by its subsidiary-jointly to one entity or one subsidiary, provided that the total value of the existing guarantees constitutes the equivalent of at least 10% of the Issuer's equity.**

In the reporting period ended 30 June 2016 the Parent Company granted the following sureties of investment obligations incurred by a subsidiary TANNE Sp. z o.o. :

- in favour of SIEMPELKAMP Maschinen- und Anlagenbau GmbH from the contract for design, delivery, installation and launching of the part of the chipboards production line. Total net value of the contract is EUR 23.650. The investment is expected to be completed in July 2018.
- in favour of Büttner Energie - und Trocknungstechnik GmbH from the contract for design, delivery, installation and launching of the part of the chipboards production line. Total net value of the contract is EUR 15.000. The investment is expected to be completed in March 2018.
- in favour of PAL SRL from the contract for design, delivery, installation and launching of the part of the chipboards production line. Total net value of the contract is EUR 22.947. (The contract original value from 30.05.2016 amounted to EUR 19.000. On 03.08.2016 an annex to a contract extending the scope of investment and increasing the value of the contract by EUR 22.947 was added. The investment is expected to be completed in May 2018.
- in favour of BUDIMES S.A. from the contract for comprehensive carrying out an investment task in the general contractor system in the form of designing and constructing a fully finished production-storage building of the area of about 33.600 m2. Total value of the contract is PLN 28.550. The investment is expected to be completed in February 2017.

**11. Other information which in the opinion of the Issuer are significant for the assessment of his human resources situation, financial standing and financial result and changes to it as well as information on factors which in the Issuer's opinion will affect performance of the Issuer and its Capital Group during at least the following quarter.**

The FORTE Group is currently implementing the strategic development plan concerning production capacity. Preparation for the construction of its own wood-like boards plant, the fifth furniture factory, as well as current investments in logistic and storage structures running according to schedule. The Management of the Parent Company does not perceive any serious dangers connected with carrying out the adopted development plan. The Management assumes that the planned activities will enable further dynamic development of the FORTE Group and establish its position as one of the world leaders specialising in production of self-assembly furniture.

**12. Indication of factors which in the opinion of the Issuer will impact the obtained results by the Issuer and its Capital Group in the perspective of at least the following quarter.**

The most important factors, which according to the Management can have impact on the achieved results of the Group in the following months of the year may include:

- maintaining the positive trend of upcoming orders,
- fluctuations in the EUR/PLN rate,
- prices of basic raw materials stability.

**13. Description of threats and risks related to the other months of the financial year.**

The Management does not perceive any dangers nor risk which could have a significant impact on the FORTE Groups results of the other months of the financial year. One of the possible interference which require making internal business decisions is insufficient coverage or no limits on trade credit insurance for some clients.

**14. Information on change of economic situation and conditions of activity conduct which might**

**have a significant impact on the fair value of financial assets and liabilities of the Issuer.**

None.

**15. Information on non-repayment of loan or credit or breach of key provisions of loan agreement or credit agreement in relation to which no remedial actions were taken until the end of the reporting period.**

None.

**16. Currency exchange rates**

Individual items of assets and liabilities were converted at the average FX rate of the National Bank of Poland as of 30 June 2016, 31 December 2015 and 30 June 2015, PLN 4,4255 PLN 4.2615 and PLN 4,1944 against 1 EUR.

Individual items of the profit and loss account and the cash flow statement were converted at the rate being an arithmetic mean of the rates of the National Bank of Poland as at the last day of each month in the period of 6 months ended 30 June 2016 and 30 June 2015, and amounting to: PLN 4.3805 and PLN 4.1341 against 1 EUR.

**17. 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.

**18. Statement of the Management Board concerning reliability of preparation of the financial statements by the Issuer and the consolidated financial statements of Capital Group of the Issuer.**

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 2016 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.

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Maria Florczuk**

.....

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

.....

**Member of the Management Board  
Gert Coopmann**

.....

**Member of the Management Board  
Mariusz Gazda**

.....

Ostrów Mazowiecka, 30 August 2016



# FABRYKI MEBLI „FORTE” S.A. CAPITAL GROUP

Condensed consolidated financial statements for the  
period of 6 months ended on 30th June 2016

Prepared in accordance with the International  
Financial Reporting Standards



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Polska

**Fabryki Mebli FORTE Spółka Akcyjna**  
**ul. Biała 1**  
**07-300 Ostrów Mazowiecka**

**Independent Auditor's Review Report**  
**on the condensed interim financial statements**  
**for the period from 1 January 2016 to 30 June 2016**

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 40-007, ul. Uniwersytecka 13, tel: +48 32 661 06 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, wroclaw@bdo.pl

BDO Sp. z o.o. jest członkiem BDO International Limited, brytyjskiej spółki i częścią międzynarodowej sieci BDO, złożonej z niezależnych spółek członkowskich.



## Independent Auditor's Review Report on the condensed interim financial statements for the period from 1 January 2016 to 30 June 2016

to the Shareholders and Supervisory Board of Fabryki Mebli FORTE S.A

We have reviewed the accompanying condensed interim financial statements of Fabryki Mebli FORTE S.A. with its registered office in Ostrów Mazowiecka at ul. Biała 1, consisting of:

- the statement of financial position prepared as at 30 June 2016,
- the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the period from 1 January 2016 to 30 June 2016,
- notes to the financial statements.

The consistency of these condensed interim financial statements with International Accounting Standard 34 "Interim Financial Reporting", which has been endorsed by the European Union, as well as with other binding regulations, is the responsibility of the Company's Management Board. Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Council of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the books of account and using information provided by the management and employees in charge of the entity's finances and accounting.

The scope and methodology of a review of condensed interim financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

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 40-007, ul. Uniwersytecka 13, tel: +48 32 661 06 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, wroclaw@bdo.pl

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Based on our review nothing has come to our attention that would prevent us from finding that the condensed interim financial statements have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been endorsed by the European Union.

Warszawa, 30 August 2016

BDO Sp. z o.o.  
ul. Postępu 12  
02-676 Warszawa  
Authorized Audit Company No. 3355

Auditor in charge:

**Artur Staniszewski**  
Audit Partner  
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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**CONSOLIDATED SELECTED FINANCIAL DATA**

<b>Data concerning the consolidated financial statement</b>	<b>In thousand PLN</b>		<b>In thousand EUR</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
Net revenue from sales of products, trade goods and materials and services	540 483	446 692	123 384	108 051
Operating profit (loss)	70 922	46 060	16 190	11 141
Profit (loss) before tax	68 747	46 890	15 694	11 342
Profit (loss) attributable to equity owners of the parent company	53 989	37 090	12 325	8 972
Total net income for the period	34 314	42 444	7 833	10 267
Net cash flow from operating activities	98 071	49 804	22 388	12 047
Net cash flows from investing activities	(116 143)	(18 692)	(26 514)	(4 521)
Net cash flow from financial activities	12 035	(41 791)	2 747	(10 109)
Net increase /decrease in cash and cash equivalents	(6 037)	(10 679)	(1 378)	(2 583)
Number of shares (in units)	23 901 084	23 751 084	23 901 084	23 751 084
Profit / loss per ordinary share per equity owner of the parent company (in PLN/EUR)	2,26	1,56	0,52	0,38
	<b>30.06.2016</b>	<b>31.12.2015</b>	<b>30.06.2016</b>	<b>31.12.2015</b>
Total assets	823 484	738 350	186 077	173 261
Total liabilities	334 613	259 892	75 610	60 986
Long-term liabilities	128 310	41 095	28 993	9 643
Short-term liabilities	206 303	218 797	46 617	51 343
Equity	485 661	474 796	109 741	111 415
Share capital	23 901	23 901	5 401	5 609
Book value per share (in PLN/EUR)	20,32	19,87	4,59	4,66

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	For the reporting period ended	
	30 June 2016 (unaudited)	30 June 2016 (unaudited)
<b>Continued activity</b>		
Revenue from sales of goods, products and materials	537 060	443 601
Revenue from sales of services	3 423	3 091
<b>Sales revenue</b>	<b>540 483</b>	<b>446 692</b>
Cost of sales of sold products, goods and materials	(327 864)	(285 682)
Cost of sales of sold services	(3 423)	(1 611)
<b>Cost of sales</b>	<b>(331 287)</b>	<b>(287 293)</b>
<b>Gross profit (loss) from sales</b>	<b>209 196</b>	<b>159 399</b>
Other operating revenue	2 178	2 786
Costs of sales	(112 969)	(94 106)
General administrative costs	(23 239)	(17 612)
Other operating costs	(4 244)	(4 407)
<b>Operating profit (loss)</b>	<b>70 922</b>	<b>46 060</b>
Financial revenue	660	1 090
Financial costs	(2 898)	(1 575)
Profit (loss) on derivative financial instruments	63	1 315
<b>Profit (loss) before tax</b>	<b>68 747</b>	<b>46 890</b>
Income tax	(14 767)	(9 799)
<b>Profit (loss) on continued operations of the period</b>	<b>53 980</b>	<b>37 091</b>
<b>Discontinued operations</b>	-	-
<b>Profit (loss) on discontinued operations of the period</b>	-	-
<b>Profit (loss) of the period</b>	<b>53 980</b>	<b>37 091</b>
Attributable to:		
Shareholders of the Parent Company	<b>53 989</b>	<b>37 090</b>
Non-controlling shareholders	<b>(9)</b>	<b>1</b>
Profit (loss) per one share unit per shareholders of Parent Company during period (in PLN):		
- basic	2,26	1,56
- diluted	2,26	1,56

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	For the reporting period ended	
	30 June 2016 (unaudited)	30 June 2016 (unaudited)
<b>Profit (loss) of the period</b>	<b>53 980</b>	<b>37 091</b>
<b>Other net comprehensive income, including:</b>	<b>(19 666)</b>	<b>5 353</b>
<b>Items which in the future will not be reclassified to the profit and loss account</b>	<b>532</b>	<b>496</b>
Revaluation of employee benefit obligations	-	-
Deferred tax regarding employee benefits	-	-
Incentive Scheme	532	496
<b>Items which in the future may be reclassified to the profit and loss account</b>	<b>(20 198)</b>	<b>4 857</b>
Foreign exchange differences on foreign subsidiaries from consolidation	34	(15)
Hedge accounting	(24 978)	6 009
Income tax on other comprehensive income	4 746	(1 137)
<b>Total comprehensive income for the period</b>	<b>34 314</b>	<b>42 444</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	34 323	42 443
Non-controlling shareholders	(9)	1

**CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)**

	<b>Status as at</b>		
	<b>30 June 2016</b>	<b>30 June 2016</b>	<b>30 June 2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>388 632</b>	<b>347 977</b>	<b>291 929</b>
Tangible fixed assets	295 512	259 403	225 481
Intangible assets	16 405	16 409	16 488
Financial assets	1 081	505	470
Deferred tax assets	2 989	-	-
Investment properties	72 645	71 660	49 490
<b>Current assets</b>	<b>434 852</b>	<b>390 373</b>	<b>345 031</b>
Reserves	133 195	139 022	147 167
Trade and other receivables	249 020	187 333	138 769
Receivables due to derivative financial instruments	-	5 673	10 861
Receivables due to income tax	91	274	-
Accruals	3 203	2 946	3 117
Financial assets	175	93	85
Cash and cash equivalents	49 168	55 032	45 032
<b>TOTAL ASSETS</b>	<b>823 484</b>	<b>738 350</b>	<b>636 960</b>
<b>LIABILITIES</b>			
<b>Total Equity</b>	<b>488 871</b>	<b>478 458</b>	<b>416 226</b>
<b>Equity (attributable to shareholders of the Parent Company), including:</b>	<b>485 661</b>	<b>474 796</b>	<b>412 530</b>
Share capital	23 901	23 901	23 751
Surplus of share sale above their nominal value	113 214	113 214	111 646
Foreign exchange differences with calculation of foreign entity.	745	711	624
Revaluation reserve from hedging instruments	(15 637)	4 595	8 797
Other reserve capital	17 654	17 654	-
Incentive Scheme	1 822	1 290	1 786
Retained earnings	249 079	195 044	195 044
<b>Capital attributable to non-controlling shareholders</b>	<b>94 883</b>	<b>118 387</b>	<b>70 882</b>
<b>LIABILITIES</b>	<b>3 210</b>	<b>3 662</b>	<b>3 696</b>
<b>Long-term liabilities</b>	<b>128 310</b>	<b>41 095</b>	<b>111 663</b>
Interest-bearing loans and borrowings	119 410	29 325	92 495
Deferred income tax provision	4 644	7 062	13 796
Provision for benefits after the employment period	3 447	3 440	3 324
Accruals	25	37	49
Financial liabilities due to lease	784	1 231	1 999
<b>Short-term liabilities</b>	<b>206 303</b>	<b>218 797</b>	<b>109 071</b>
Trade and other receivables	77 031	74 053	68 277
Current interest-bearing bank loans and borrowings	57 508	105 109	10 443
Income tax liabilities	5 623	3 777	1 702
Liabilities on account of financial instrument derivatives	19 305	-	-
Provisions and accrued liabilities	45 909	34 859	27 377
Financial liabilities due to lease	927	999	1 272
<b>Total liabilities</b>	<b>334 613</b>	<b>259 892</b>	<b>220 734</b>
<b>TOTAL LIABILITIES</b>	<b>823 484</b>	<b>738 350</b>	<b>636 960</b>



**CONSOLIDATED CASH FLOW STATEMENT**

	Period of 6 months ended		
	30 June 2016	30 June 2016	30 June 2016
<b>Cash flow from operating activity</b>			
<b>Profit/ (loss) of the period</b>	<b>53 989</b>	<b>84 405</b>	<b>37 091</b>
<b>Adjustments by:</b>	<b>44 082</b>	<b>(6 241)</b>	<b>12 713</b>
(Profit)/loss of non-controlling shareholders	(9)	(32)	1
Amortisation	11 209	19 688	9 345
Foreign exchange (profit)/loss	5 106	1 091	(601)
Net interest and dividends	515	693	286
(Profit)/ Loss on investing activity	207	(92)	(348)
Change in the valuation of derivative financial instruments	4 746	(151)	(1 137)
Change in receivables	4 792	(43 294)	5 270
Change in inventories	5 827	9 991	1 846
Change in liabilities, excluding loans and borrowings	3 812	12 994	7 838
Change in accruals and deferrals	7 792	7 049	(638)
Change in reserves	(2 411)	(5 408)	1 371
Income tax paid	(13 433)	(29 122)	(20 221)
Current tax recognised in profit and loss account	15 462	19 956	9 255
Foreign exchange differences	(34)	105	(50)
Provision for retirement benefits	-	307	-
Incentive Scheme valuation	532	-	496
Other adjustments	(31)	(16)	-
<b>Net cash flow from operating activities</b>	<b>98 071</b>	<b>78 164</b>	<b>49 804</b>
<b>Cash flows from investing activities</b>			
Sale of tangible fixed assets and intangible assets	302	1 296	425
Purchase of tangible fixed assets and intangible assets	(116 051)	(68 475)	(19 444)
Real property investment	(22)	(97)	-
Purchase of shares	(101)	(5)	(10)
Dividends received	249	363	337
Interest received	-	-	-
Repayment of borrowings granted	-	-	-
Borrowings granted	(520)	(52)	-
Other investment outflows/ inflows	-	-	-
<b>Net cash flow from investment activities</b>	<b>(116 143)</b>	<b>(66 970)</b>	<b>(18 692)</b>
<b>Cash flows from financial activities</b>			
Inflows from loans and borrowings taken out	40 454	53 409	10 003
Repayment of loans and borrowings	(3 140)	(16 639)	(3 059)
Repayment of leasing liabilities	(519)	(1 718)	(641)
Dividends paid to shareholders of the Parent Company	(23 901)	(47 502)	(47 502)
Interest paid	(839)	(1 163)	(592)
Other financial inflows	(20)	1 718	-
<b>Net cash flow from financial activities</b>	<b>12 035</b>	<b>(11 895)</b>	<b>(41 791)</b>
<b>Net increase /decrease in cash and cash equivalents</b>	<b>(6 037)</b>	<b>(701)</b>	<b>(10 679)</b>
Net foreign exchange differences (from translation, opening balance)	(173)	10	32
<b>Opening balance of cash</b>	<b>55 032</b>	<b>55 743</b>	<b>55 743</b>
<b>Cash at end of period, including:</b>	<b>49 168</b>	<b>55 032</b>	<b>45 032</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 6 months ended on 30 June 2016 (nonaudited)

	Attributable to the shareholders of the Parent Company										Total Equity
	Equity capital	Surplus of share sale above their nominal value	Foreign exchange differences with calculation of foreign entity	Reserve capital from valuation update	Incentive Scheme	Retained earnings/ (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Total	Share of non-controlling shareholders	
<b>as at 01 January 2016:</b>	<b>23 901</b>	<b>113 214</b>	<b>711</b>	<b>17 654</b>	<b>1 290</b>	<b>118 387</b>	<b>4 595</b>	<b>195 044</b>	<b>474 796</b>	<b>3 662</b>	<b>478 458</b>
Changes in Accounting Principles	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-
<b>As at 01 January 2016 after adjustments</b>	<b>23 901</b>	<b>113 214</b>	<b>711</b>	<b>17 654</b>	<b>1 290</b>	<b>118 387</b>	<b>4 595</b>	<b>195 044</b>	<b>474 796</b>	<b>3 662</b>	<b>478 458</b>
Reclassification to reserve capital	-	-	-	-	-	(54 035)	-	54 035	-	-	-
Revaluation of real property	-	-	-	-	-	-	-	-	-	-	-
Payment of dividend for 2015	-	-	-	-	-	(23 901)	-	-	(23 901)	-	<b>(23 901)</b>
Increase of company capital of subsidiary with non-controlling shareholders	-	-	-	-	-	443	-	-	443	(443)	-
Incentive Scheme	-	-	-	-	532	-	-	-	532	-	<b>532</b>
Provisions for employee benefits	-	-	-	-	-	-	-	-	-	-	-
Current result	-	-	-	-	-	53 989	-	-	53 989	(9)	<b>53 980</b>
Hedge accounting	-	-	-	-	-	-	(20 232)	-	(20 232)	-	<b>(20 232)</b>
Exchange differences	-	-	34	-	-	-	-	-	34	-	<b>34</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>532</b>	<b>53 989</b>	<b>(20 232)</b>	<b>-</b>	<b>34 323</b>	<b>(9)</b>	<b>34 314</b>
<b>as at 30 June 2016:</b>	<b>23 901</b>	<b>113 214</b>	<b>745</b>	<b>17 654</b>	<b>1 822</b>	<b>94 883</b>	<b>(15 637)</b>	<b>249 079</b>	<b>485 661</b>	<b>3 210</b>	<b>488 871</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015 (restated)

	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.	Reserve capital from valuation update	Incentive Scheme	Retained earnings/ (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Total	Share of non-controlling shareholders	Total Equity
<b>as at 01 January 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>640</b>	-	<b>1 290</b>	<b>108 526</b>	<b>3 925</b>	<b>167 812</b>	<b>417 590</b>	<b>3 694</b>	<b>421 284</b>
Changes in Accounting Principles	-	-	-	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-	-	-	-
<b>As at 01 January 2015 after adjustments</b>	<b>23 751</b>	<b>111 646</b>	<b>640</b>	-	<b>1 290</b>	<b>108 526</b>	<b>3 925</b>	<b>167 812</b>	<b>417 590</b>	<b>3 694</b>	<b>421 284</b>
Increase of capital due to realization of Incentive Scheme	150	1 568	-	-	-	-	-	-	1 718	-	<b>1 718</b>
Payment of dividend for 2014	-	-	-	-	-	(47 502)	-	-	(47 502)	-	<b>(47 502)</b>
Reclassification to reserve capital	-	-	-	-	-	(27 232)	-	27 232	-	-	-
Revaluation of property	-	-	-	17 654	-	-	-	-	17 654	-	<b>17 654</b>
Inclusion of an entity to consolidation	-	-	-	-	-	(2)	-	-	(2)	-	<b>(2)</b>
Provisions for employee benefits	-	-	-	-	-	192	-	-	192	-	<b>192</b>
Current result	-	-	-	-	-	84 405	-	-	84 405	(32)	<b>84 373</b>
Hedge accounting	-	-	-	-	-	-	670	-	670	-	<b>670</b>
Exchange differences	-	-	71	-	-	-	-	-	71	-	<b>71</b>
<b>Total comprehensive income for the period</b>	-	-	<b>71</b>	-	-	<b>84 597</b>	<b>670</b>	-	<b>85 338</b>	<b>(32)</b>	<b>85 306</b>
<b>as at 31 December 2015:</b>	<b>23 901</b>	<b>113 214</b>	<b>711</b>	<b>17 654</b>	<b>1 290</b>	<b>118 387</b>	<b>4 595</b>	<b>195 044</b>	<b>474 796</b>	<b>3 662</b>	<b>478 458</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the period of 6 months ended on 30 June 2015 (nonaudited)

	Attributable to the shareholders of the Parent Company									Total Equity
	Equity primary	Surplus of share sale above their nominal value	Foreign exchange differences with calculation of foreign entity.	Incentive Scheme	Retained earnings/ (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Total	Share of non-controlling shareholders	
<b>as at 01 January 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>640</b>	<b>1 290</b>	<b>108 526</b>	<b>3 925</b>	<b>167 812</b>	<b>417 590</b>	<b>3 694</b>	<b>421 284</b>
Changes in Accounting Principles (Policy)										
Error corrections										
<b>As at 01 January 2015 after adjustments</b>	<b>23 751</b>	<b>111 646</b>	<b>640</b>	<b>1 290</b>	<b>108 526</b>	<b>3 925</b>	<b>167 812</b>	<b>417 590</b>	<b>3 694</b>	<b>421 284</b>
Payment of dividend for 2014	-	-	-	-	(47 502)	-	-	(47 502)		(47 502)
Reclassification to reserve capital	-	-	-	-	(27 232)	-	27 232	-		-
Inclusion of an entity to consolidation	-	-	-	-	-	-	-	-		-
Other adjustments	-	-	-	-	-	-	-	-		-
Provisions for employee benefits	-	-	-	-	-	-	-	-		-
Incentive Scheme	-	-	-	496	-	-	-	496		496
Current result	-	-	-	-	37 090	-	-	37 090		37 090
Hedge accounting	-	-	-	-	-	4 872	-	4 872		4 872
Minority result	-	-	-	-	-	-	-	-	1	1
Exchange differences	-	-	(16)	-	-	-	-	(16)	1	(15)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>496</b>	<b>37 090</b>	<b>4 872</b>	<b>-</b>	<b>42 442</b>	<b>2</b>	<b>42 444</b>
<b>as at 30 June 2015:</b>	<b>23 751</b>	<b>111 646</b>	<b>624</b>	<b>1 786</b>	<b>70 882</b>	<b>8 797</b>	<b>195 044</b>	<b>412 530</b>	<b>3 696</b>	<b>416 226</b>

## ACCOUNTING POLICY AND SELECTED EXPLANATORY NOTES

### GENERAL INFORMATION

Fabryki Mebli "FORTE" Capital Group The Fabryki Mebli FORTE Capital Group (the "Group") consists of Fabryki Mebli FORTE S.A. and its subsidiaries (see Note 2). The Group's condensed interim consolidated financial statements covers the period of 6 months ended 30 June 2016, and contains the following comparative data: for the condensed interim consolidated profit and loss account, the condensed interim consolidated statement of comprehensive income and for the condensed interim consolidated cash flow statement – for the period of 6 months ended 30 June 2015, and for the condensed interim consolidated statement of financial situation and for the condensed interim consolidated statement of changes in equity – for the period of 6 months ended 30 June 2015 and for the year ended 31 December 2015.

FABRYKI MEBLI "FORTE" S.A. was formed through a transformation of "FABRYKI MEBLI "FORTE" Sp. z o.o. into a joint-stock company on 9 December 1994. Originally, i.e. from 17 June 1992, the Company operated under the name "FORTE" Sp. z o.o. On 25 November 1993, under the notarial deed, "FORTE" Sp. z o.o. was incorporated by the Company under the name FABRYKI MEBLI "FORTE" Sp. z o.o. The Company conducted business activities until its transformation into a joint-stock company.

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

### COMPOSITION OF THE GROUP

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (consolidation via comprehensive method):	Headquarters	Scope of activities	Percentage share of the Group in capital	
			30.06.2016	30.06.2016
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	81%	77,01%
<i>*Galeria Kwadrat Sp. z o.o.</i>	<i>Bydgoszcz</i>	<i>Facilities Management</i>	<i>81%</i>	<i>77,01%</i>
TM Handel Sp. z o.o. SKA	Ostrów Mazowiecka	Purchase, sale and management of real estate, advisory services regarding conducting business activity and management	100%	100%
<i>**Fort Investment Sp. z o. o.</i>	<i>Ostrów Mazowiecka</i>	Purchase, sale and management of real estate, advisory services regarding conducting business activity and management	<i>100%</i>	<i>100%</i>
TANNE Sp. z o.o.	Warszawa	Production activity	100%	100%
DYSTRI-FORTE Sp. z o. o.	Warszawa	Storing and maintaining of goods	100%	100%
ANTWERP Sp. z o.o. spółka jawna****	Wrocław	Intellectual property lease property management	100%	100%
<i>TERCEIRA Sp. z o.o.***</i>	<i>Warszawa</i>	Activity of central companies and holdings, lease	<i>100%</i>	<i>100%</i>

and property management

\* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.

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

\*\*\* indirectly related company - 100% dependent from ANTWERP Sp. z o.o. General partnership, from 26.07.2016 directly related

\*\*\*\* the company was deleted from the register of entrepreneurs on 29.07.2016.

The Group includes subsidiaries, specified in note 19, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

As at 30 June 2016 and as at 31 December 2015, 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.

Description of changes conducted in the composition of the Group within the reporting period

On January 19, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on transformation of the company Antwerp Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo- Akcyjna into Spółka z ograniczoną odpowiedzialnością Spółka jawna. The registration of a legal form took place on March 01, 2016. On May 31, 2016 the Meeting of Shareholders of Antwerp Spółka z ograniczoną odpowiedzialnością Spółka jawna made a decision on termination of Antwerp without conducting the liquidation and division of the assets of Antwerp between its partners. As a result of the abovementioned, in order to divide the assets between the partners, the Dominant Company on May 31, 2016 concluded the agreement of transfer with Antwerp to FORTE all 1 100 shares in share capital of the company under the name Terceira Spółka z ograniczoną odpowiedzialnością with its seat in Warsaw with a nominal value of 50 PLN each and total nominal value of 55 thous. PLN., which constitute 100% of share capital of Terceira. As of May 31, 2016 the value of shares amounts to in total 207.605 thous. PLN. On July 26, 2016 the company was deleted from the register of entrepreneurs.

On January 22, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing share capital of the company Kwadrat Sp. z o.o. from the amount of 4,763 PLN to 5,763 PLN by creating 1000 new shares with nominal value with 1 000 PLN each in exchange for cash contribution in the amount of 1,000 PLN 100% of newly created shares were covered by Fabryki Mebli „FORTE” S.A. The registration of increasing share capital took place on May 17, 2016. After a change, the percentage share of the Dominant company in the capitals of the company Kwadrat increased from 77,01 % to 81%.

On February 5, 2016 the Management Board of the Dominant Unit learned the information on completion on February 5, 2016 the liquidation procedure of the subsidiary FORTE MOBILA S.R.L. with its seat in Bacau (Romania)

On February 5, 2016 the resolution was made by the Extraordinary Meeting of Shareholders on increasing the share capital of the company DYSTRI-FORTE Sp. z o.o. from the amount of 5 thous. PLN to 55 thous. PLN by creating 100 new shares with a nominal value of 500 PLN each in exchange for the cash contribution of 3,995 PLN. The surplus of the value of cash contribution above the nominal value of the shares covered was transferred for the inventory capital of the company. 100% of shares in increased share capital of DYSTRI-FORTE Sp. z o.o. was covered by Fabryki Mebli „FORTE” S.A. Registration of the share capital took place on February 29, 2016.

On February 5, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders in increasing share capital of the company TANNE Sp. z o.o. from the amount of 5 thous. PLN to 55 thous. PLN by creating 100 new shares with a nominal value of 500 PLN each in exchange for the cash contribution in the amount of 3,495 PLN. The surplus of the value of the cash contribution above the nominal value of the shares covered was transferred for the inventory capital of the Company. 100% of shares in increased share capital of TANNE Sp. z o.o. were covered by Fabryki Mebli „FORTE” S.A.

On May 5, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing the share capital of the company from the amount 55 thous. PLN to 60 thous. PLN by means of creating 10 new shares with a nominal value of 500 PLN each in exchange for cash contribution in the amount of 12,000 PLN.

On June 13, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing the share capital of the company TANNE Sp. z o.o. from the amount of 60 thous. PLN to 100 thous. PLN by means of creating 80 new shares with a nominal value of 500 PLN each in exchange for the cash contribution in the amount of 54,505 PLN. The surplus of the value of cash contribution above the nominal value of the covered shares was transferred to the inventory capital of the Company. 100% of shares in increased share capital of TANNE Sp. z o.o. were covered by Fabryki Mebli „FORTE” S.A.

On February 15, 2016 the District Court for Warsaw capital city, XIII Economic Division of the National Court Register made registration of increasing the share capital of the company TERCEIRA Sp. z o.o. from 5 thous. PLN to 55 thous PLN. 100% of shares in increased share capital of TERCEIRA Sp. z o.o. were covered by ANTWERP Sp. z o.o. -XXXIV-S.K.A in exchange for the cash contribution in the amount of 207,600 PLN. The surplus of the value of cash contribution above the nominal value of shares was transferred for the inventory capital of the company.

On March 15, 2016 the Dominant Company established jointly with AM&HP Sp. z o.o. a subsidiary FORESTIVO Sp. z o.o. With its seat in Suwałki, the main subject of activity being the assurance of the raw mineral for the production of plywood. The share capital of the company amounts to 200 thous. PLN and is divided into 1000 shares with a nominal value of 200 PLN each. Fabryki Mebli „Forte” S.A. have 50 % share in newly created Company. The registration in NCR took place on 15.06.2016.

On May 10, 2016 the resolution was adopted by the Extraordinary Meeting of Shareholders on increasing of the share capital of the company Galeria Kwadrat Sp. z o.o. from the amount of 17,305 PLN to 17,310 PLN by means of creating 100 new shares with a nominal value of 50 PLN each in exchange for the cash contribution in the amount of 1,000 PLN 100% of the newly created shares was covered by Spółka Kwadrat Sp. z o.o.. Registration of the increase of share capital took place on July 22, 2016.

### COMPOSITION OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

**The Composition of the Management Board of the Parent Company as at 30 June 2016 and as at the date of publication of this report is as follows:**

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

### APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorised for issue by the Management Board on 30 August 2016.

### BASIS FOR PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed 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 interim condensed 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 interim condensed consolidated financial statements were drawn up with the assumption of the Company 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.

### DECLARATION OF COMPLIANCE

These interim condensed 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 in the scope of the applied accounting rules by the Group entities and there is no difference between the currently enacted IFRS 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").

Principles of accounting accepted for the preparation of the hereby interim condensed consolidated financial statements are compliant with those accepted for the elaboration of annual consolidated financial statements for the financial year ended on 31 December 2015, excluding new standards of accounting and the interpretation applied since 1 January 2016.

The hereby interim condensed consolidated financial statements do not include information and disclosures required within complete financial statements and ought to be read combined with the annual consolidated financial statements for the financial year ended on 31 December 2015.

**CHANGES IN ACCOUNTING PRINCIPLES / PRINCIPLES OF PRESENTING DATA IN FINANCIAL STATEMENTS**

Principles (policy) of accounting applied for the preparation of the hereby report for the I half of year 2016 are compliant with those applied while preparing the financial report for the year 2015, with the exclusion of changes specified below.

The same principles were applied for the current comparative period. A detailed description of the principles of accountancy accepted by the Capital Group Fabryk Mebli FORTE was presented in annual consolidated financial report for 2015, published on 17th of March 2016.

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 2016

- Changes in IFRS MSSF 11 *Inclusion of acquisition of shares in common actions*
- Changes in IAS 16 and IAS 38 *Explanations in the scope of accepted methods of inclusion of redemption and amortization*
- Changes in IAS 16 and IAS 41 *Agriculture: Production Plants*
- Changes in IAS 27: *Method of ownership rights in unit financial reports*
- Changes to different standards resulting from the annual review of International Financial Reporting Standards (*Annual Improvements 2012-2014*)
- Changes in IAS 1: *Initiative in disclosures*

Main consequences of applying new regulations:

- Changes in IFRS 11 Inclusion of acquisition of shares in common actions

Changes in IFRS 11 were published on 6th of May 2014 and shall be applicable to the annual periods starting on 1st of January 2016 or later. The purpose of changes is to present detailed guidelines explaining the method of inclusion the transaction of acquisition of shares in common actions, which constitute the undertaking. The changes require to apply identical principles to those applied in case of merger of the units.

The application of the amended standard is of no significant influence onto the financial report of the Group.

- Changes in IAS 16 and IAS 38 Explanations in the scope of accepted methods of inclusion of redemption and amortization

Changes in IFRS 16 Tangible fixed assets and IAS 38 Intangible assets were published on 12th of May 2014 and are applicable to annual periods starting on 1st of January 2016 or later. The change constitutes additional explanations in relation to those permitted to apply methods of amortization. The goal of the changes is to indicate that the method of calculating the redemption of tangible and intangible fixed assets based on revenues is not proper, however in case of intangible assets the method may be applied in specific circumstances.

The application of the amended standard is of no important influence on the financial report of the group.

- Changes in IAS 16 and IAS 41 Agriculture: Production Plants

Changes in IFRS 16 and 41 were published on 30th of June 2014 and shall be applicable to the annual periods starting on 1st of January 2016 or later. The change indicates that the production plants should be included in the same way as tangible fixed assets in the scope of IAS 16. As a result of the abovementioned, the production plants should be considered through the prism of IAS 16, instead of IAS 41. The agricultural products produced by the production plants still are subject to the scope of IAS 41.

The application of the amended standards is of no influence on the financial report of the Group.

- Changes in IAS 27: Equity method in unit financial reports

Changes in IAS 27 were published on 12th of August 2014 and are applicable to the annual periods starting on 1st of January 2016 or later. The changes restore in IFRS the option to include in unit financial reports the investment in subsidiaries, joint ventures and associated units by means of the equity method. In case of selecting this method, it should be applied for each investment within a given category.

The application of the amended standards is of no influence on the financial report of the Group.

- The changes to different standards resulting from annual review of International Financial Reporting Standards (*Annual Improvements 2012-2014*)

On 25th of September 2014 as a result of the review of IFRS made, small amendments were introduced into the 4 following standards:

- IFRS 5 Assets allocated for sale and discontinued activity, in the scope of reclassification of assets or the group for sale from „allocated for sale“ to „those possessed for transferring to the owners“ and vice versa,
- IFRS 7 Financial instruments: disclosures, i.e., in the scope of application of changes to IFRS 7 with reference to the compensation of assets and financial liabilities to interim abbreviated financial reports,
- IAS 19 Employee benefits, in the scope of currency of „corporate bonds of high quality“ used for establishing the rate of discount,



- IAS 34 Interim financial reporting, in the scope of specification, in which way to prove that the disclosures required by par. 16A IAS 34 were placed in another place of interim report.

They are applicable in majority to annual periods starting on January 1, 2016 or later. The Group assesses that the application of the standards amended is of no significant importance, onto the financial report of the Group, except for the amendment to IAS 34, which may result in additional disclosures in interim financial reports in the Group.

- Changes in IAS 1: Initiative in disclosures

On 18th of December 2014 within the frames of large initiative aiming at improving presentation and disclosures in the financial reports the changes to IAS 1 were published. These changes are to aim at further encouraging the units to apply professional judgment in defining which information is to be disclosed in financial reports. As an example, the changes will specify that significance refers to the entire financial reports and that including insignificant information may reduce the suitability of stricter financial disclosures. In addition, the changes will specify that the units should apply professional judgment in defining in which place and in which order to present the information at disclosing the financial information.

The published changes are accompanied by changes in IAS 7 as well. The report on cash flows, which increases the requirements of the disclosures with reference to the flows from financial activity and cash and their equivalents of the unit (details below).

The Group assesses that the application of the amended standard is of no significant influence on the financial report of the group.

Within this interim condensed consolidated financial statement, key assessments were conducted by the Management Board in relation to the accounting principles applied by the Group and the main sources of estimating uncertainty were the same as ones specified in the Consolidated Financial Statement for 2015

The Group did not conduct a presentation adjustment of data for the 1st half of 2015 and/or on 31 December 2015.

**AMENDMENTS TO EXISTING STANDARDS AND NEW REGULATIONS WHICH ARE NOT IN EFFECT FOR PERIODS STARTING FROM 01 JANUARY 2016.**

In these financial statements, the Group did not opt for early application of 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 standard introduces the principles of classifying financial assets and introduces unified rules of assessing the loss of value for 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 will apply the new standard from 01 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 standard 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. 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 applies the new standard not earlier than as of the day established by the European Union as the entrance force into life of the standard. Due to the transitional nature of the standard, the European Commission decided not to start formal procedure of approval of the standard and wait for the target standard.

The application of the new standard will have no impact on the Company's financial statements.

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 2018 or later (initially until end of 2017). Its earlier implementation is also possible. The standard establishes uniform frames of revenue recognition and includes principles which will substitute the majority of detailed guidelines 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. Post balancing day the International Accounting Standards Board published a draft of amendments in the accepted standard deferring by a year the date of this standard entering into force.

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 16 Leasing

The new standard was published on January 13 2016 and is applicable to the annual periods starting on January 1 2019 or later and its previous application is permitted (but under the condition of simultaneous application of IFRS 15). The standard replaces the previous regulations concerning leasing (i.e. IAS 17) and definitely changes the approach to the leasing agreement with different nature, ordering to the lessee to show in the balance sheets the assets and liabilities for the leasing agreement concluded, no matter their type. As of the day of preparing the financial report, it is not possible to assess the influence of the application of the new standard.

Changes in IFRS 10, IFRS 12 and IFRS 28: Investment units: application of the exception from consolidation

Changes in IFRS 10, IFRS 12 and IAS 28 were published on 18th of December 2014 and are applicable to the annual periods starting January 1, 2016 or later. Their goal is to specify the requirements in the scope of accountancy of the investment units.

The Group assesses that the application of the amended standards shall have no influence on the financial report of the Group.

The changes in IFRS 10 and IAS 28: Sale or contribution of assets between the investor and its associated unit or joint venture

Amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and are applied to annual periods starting on 01 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.

The Group applies changes in the standards not earlier than as of the day established by the European Union as the days of entering into force of the standard. Currently, European Commission decided to defer formal procedure of approving of the standard.

As of the day of preparing the financial report, it is not possible to reliably assess the influence of the application of amended standards.

Changes in IAS 12: Inclusion of assets for deferred income tax for unrealized losses.

Changes in IAS 12 were published on January 19 2016 and are applicable to the annual periods starting on January 1, 2017 or later. Their goal is to specify the requirements in the scope of including the assets for the deferred income concerning the debt financial instruments assessed in fair value.

Group assesses that the application of the amended standard, will not have a significant influence on the financial report of the Group.

Changes in IAS 7: Initiative in disclosures

Changes in IAS 7 were published on January 29, 2016 and are applicable to the annual periods starting on January 1, 2017 or later. The goal of the changes was to increase the scope of information transferred to the recipients of the financial reports in the scope of financial activity by additional disclosures of changes of balance sheet value of liabilities connected with financing the unit's activity.

The Group assesses that the application of the amended standard will have no significant influence on the financial report of the group, except for the change of the scope of disclosures presented in the financial reports.

Specification of the provisions of IFRS 15: Revenues from the agreements with the clients

Specification of the provisions of IFRS 15 was published on April 12, 2016 and it is applicable to the annual periods starting on January 1, 2018 or later (in accordance with the date of commencement of the application of the whole standard). The goal of the changes in the standard was to explain the doubts occurring during the pre-implementation analyses with reference to: identification of the liability to fulfil the benefit (performance obligation), guidelines of using the standard in the issue of identification of the principal/order and the revenues from the license concerning the intellectual property or at last the transition periods in the first application of the new standard.

The group assesses that the application of the amended standard, will have no significant influence on the financial report of the group.

- Changes in IFRS 2: Classification and valuation of transaction of payment on the basis of stocks

Changes in IFRS 2 were published on June 20, 2016 and they are applicable to the annual periods starting on January 1, 2018 or later. The goal of the changes in the standard was to specify the method of including the disclosures of some types of payment on the basis of stocks.

The group assesses that the application of the amended standard, will have no significant influence on the financial report of the group.

IFRS in the shape approved by EU do not differ presently in a significant manner from the regulations accepted by the Council of International Financial Standards (RMSR), except for the below standards, interpretation and changes to them, which as of the day of approving of the financial report for publication were not accepted yet for the application by the EU:

(as amended),

- IFRS 9 Financial Instruments published on 25 July 2014,
- IFRS 14 Regulatory Deferral Accounts published on 30 January 2014,
- IFRS 15 Revenues from client contracts published on 28 May 2014 (as amended),
- IFRS 16 Leasing published on January 13, 2016,
- Changes in IFRS 10 and IAS 28: Sale or contribution of assets between the investor and the associated unit or joint venture published on September 11, 2014,
- Changes in IFRS 10, IFRS 12 and IAS 28: Investment units: application of the exception from consolidation published on December 18, 2014,
- Changes in IAS 12: Including the assets for the deferred income tax for unrealized losses published on January 19, 2016,
- Changes in IAS 7: Initiative in disclosure published on January 29, 2016,
- Specification of provisions of IFRS 15: revenues from agreements with the clients published on April, 12 2016,
- Changes in IFRS 2: Classification and valuation of transaction of payment on the basis of stocks published on June 20, 2016.

#### **ERROR ADJUSTMENT**

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

#### **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 at the average exchange rate of the National Bank of Poland applicable as at the reporting date. The resulting exchange rate differences are recognised under financial revenue/costs or, in 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 at the average exchange rate applicable as at the date of the measurement at fair value.

Financial statements of foreign entities are translated to the Polish currency in the following manner:

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

- Möbelvertrieb Forte GmbH – EUR – 4.4255
- Forte Möbel AG – CHF – 4.0677

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

- Möbelvertrieb Forte GmbH – EUR – 4.3805
- Forte Möbel AG – CHF – 3.9917

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

#### **SEASONALITY OF OPERATIONS**

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

The value of sales revenue achieved in the presented reporting periods is presented below:

<b>Revenues from sales of products, materials, goods and services</b>	Sales revenue	Share %
I Q 2016	300 145	-
II Q 2016	240 338	-
<b>Total first half of 2016</b>	<b>540 483</b>	<b>-</b>
I Q 2015	255 770	26,80%
II Q 2015	190 922	20,01%

<b>Total first half of 2015</b>	<b>446 692</b>	<b>46,81%</b>
<b>total 2015</b>	<b>954 275</b>	<b>100,00%</b>

**REVENUE AND COSTS****SALES REVENUE AND GEOGRAPHIC STRUCTURE**

<b>Sales revenue</b>	<b>For the reporting period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Revenue from sales of goods, products and materials</b>		
- products	528 061	436 615
- goods	3 906	4 244
- materials	5 093	2 742
<b>Revenue from sales of services</b>	3 423	3 091
<b>Total net revenue from sales</b>	<b>540 483</b>	<b>446 692</b>
<b>Geographic structure:</b>		
- domestic	84 359	73 430
- export	456 124	467 053
<b>Total net revenue from sales</b>	<b>540 483</b>	<b>446 692</b>
- including from related entities	2 649	3 040

**Information on key customers**

The biggest customer for the products of the Forte Group is Roller GmbH (Germany), and Steinhoff Group International with its seat in France. The share of turnover from Roller GmbH and Steinhoff Group International exceeded 10% of the total Group revenue.

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

**OTHER OPERATING REVENUE**

<b>Other operating revenue</b>	<b>For the reporting period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
Release of write-downs on current assets	38	208
Release of write-downs on current assets	-	-
Profit from sale of fixed material assets	12	-
Subsidies	12	12
Compensations	1 778	886
Revaluation of investment real properties	-	1 422
Other	338	258
<b>Total other operating revenue</b>	<b>2 178</b>	<b>2 786</b>

**OTHER OPERATING COSTS**

<b>Other operating costs</b>	<b>For the reporting period ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
Creation of revaluation write-downs	1 846	25
Liquidation and impairment write-downs on property, plant and equipment	41	-
Scrapping of inventory	1 494	1 987
Donations	195	61
Penalties and compensations	317	1 152
Court costs	69	20
Loss from the disposal of fixed assets	181	1 074
Other	101	88

<b>Total other operating costs</b>	<b>4 244</b>	<b>4 407</b>
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Within the reporting period ended on 30 June 2016 the Group created a write-off for the value of reserves of replacement parts in the amount of PLN 1,346. Decision regarding creating a write-off was caused by permanent exchange in all factories of the Parent Company of the machinery park into more modern which makes certain replacement parts lose their purpose. Write-off was indicated in the financial statements in the item of other operational costs.

## FINANCIAL REVENUE

Financial Revenue	For the reporting period ended	
	30.06.2016	30.06.2015
Dividends	249	337
Exchange differences of financial assets and liabilities	-	-
Interest	411	753
<b>Financial revenue, total</b>	<b>660</b>	<b>1 090</b>

## FINANCIAL COSTS

Financial costs	For the reporting period ended	
	30.06.2016	30.06.2015
Interest on loans and leasing	622	547
Commission on loans	125	53
Exchange differences of financial assets and liabilities	2 067	970
Other	84	5
<b>Financial costs, total</b>	<b>2 898</b>	<b>1 575</b>

## COSTS BY TYPE

Costs by type	For the reporting period ended	
	30.06.2016	30.06.2015
Amortisation	11 209	9 345
Consumption of materials and energy	250 599	218 770
External services	86 333	83 061
Taxes and fees	4 322	4 063
Payroll	72 660	60 555
Social insurance and other benefits	18 514	14 861
Other costs by type	4 506	4 637
<b>Costs by type</b>	<b>448 143</b>	<b>395 292</b>
Change in product inventory and accruals	13 438	(699)
Manufacturing cost of products for internal purposes	(2 042)	(1 315)
Costs of sales	(112 969)	(94 106)
General administrative costs	(23 239)	(17 612)
<b>Manufacturing cost of sold products and services</b>	<b>323 331</b>	<b>281 560</b>
<b>Value of goods and materials sold</b>	<b>7 956</b>	<b>5 733</b>
<b>Cost of sales</b>	<b>331 287</b>	<b>287 293</b>

## Information on key suppliers

The strategic supplier of raw materials for Forte Group is PFLEIDERER Group the share of which in the turnover exceeded 10 % of revenue from sale of the Group.

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

**INFORMATION ON OPERATING SEGMENTS**

The Parent Company does not identify operating segments within the meaning of IFRS 8.

**CHANGES IN ACCOUNTING ESTIMATES**

As at 30 June 2016, the Group made the following changes in accounting estimates in comparison to 31 December 2015 and 30 June 2015:

**Deferrals**

Deferrals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Motor and property insurance	958	837	251
Fairs	-	576	7
Research and development	974	1 217	1 472
Business trips	80	-	-
Perpetual usufruct of land	493	-	541
Other	698	316	846
	<b>3 203</b>	<b>2 946</b>	<b>3 117</b>

**LONG-TERM ACCRUALS**

Long-term accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Deferred tax provision	4 644	7 062	13 796
Benefits after the employment period	3 447	3 440	3 324

**Provisions and accrued liabilities**

Long-term accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
<b>Long-term accrued income due to:</b>			
Subsidy to purchased tangible fixed assets	25	37	49

Short-term accruals	Status as at		
	30.06.2016	31.12.2015	30.06.2015
<b>Accrued expenses due to:</b>			
Commissions	2 539	2 380	1 821
Bonuses for customers	21 215	18 552	12 207
Bonuses	3 970	5 102	2 360
Leaves	2 788	2 051	2 561
Balance sheet audit costs	141	158	93
External services	13 006	4 369	6 331
Other	106	251	111
<b>Short-term provisions:</b>			
Short-term provision for benefits after the employment period	122	122	168
Guarantee repairs	1 998	1 850	1 701
Other provisions	-	-	-
<b>Accrued income due to:</b>			
Subsidy to purchased tangible fixed assets	24	24	24

	45 909	34 859	27 377
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The amount PLN 21,215 is a reserve created by the Group for future premiums which are payable on account of realized sales for clients. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 13,006 is a provision created by the Group for the costs of external services, in particular: transportation, marketing, insurance of receivables and utilisation services.

As at the balance sheet date ended 30 June 2016, the Group created a provision for the bonus for the Management Board in the amount of PLN 3,970.

### Changing write-downs on assets

	30.06.2016	31.12.2015	30.06.2015
Write-downs updating share value	399	426	426
Write-downs on short-term receivables	1 856	2 694	2 938
Write-downs on tangible fixed assets	63	3	3
Write-downs on inventory	7 430	2 733	2 394

#### INVENTORIES REVALUATION WRITE-DOWNS

Inventories revaluation write-downs	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	426	426	426
Creation	-	-	-
Release	(27)	-	-
Impairment write-off as at balance date	399	426	426

#### WRITE-DOWNS ON RECEIVABLES

Write-downs on receivables	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	2 694	3 196	3 196
Exchange differences	8	19	25
Creation	440	155	25
Utilisation	(1 257)	(449)	(3)
Release	(29)	(227)	(306)
Impairment write-off as at balance date	1 856	2 694	2 937

The use of write-down on receivables in the amount of PLN 1,169 concerns the completed in Q1 of 2016 process of liquidation of the Romanian subsidiary Forte Mobila.

#### IMPAIRMENT WRITE-OFF FOR THE VALUE OF FIXED ASSETS

Impairment write-off for the value of fixed assets	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	3	3	3
Creation	60	1 100	1 100
Release	-	(1 100)	(1 100)
Impairment write-off as at balance date	63	3	3

#### INVENTORIES REVALUATION WRITE-DOWNS

Inventories revaluation write-downs	30.06.2016	31.12.2015	30.06.2015
Impairment write-off as at 1 January	2 733	3 034	3 034
Creation	4 964	-	-
Release	(267)	(301)	(640)
Impairment write-off as at balance date	7 430	2 733	2 394

Within the reporting period ended on 30 June 2016 the Group released an impairment write-off on value of reserves the following categories of inventories: replacement parts in the amount of 1,346 PLN, goods of 709 thousand PLN and finished goods in the amount of 2,909 PLN. Management Board of the Dominant Unit, decided to cover with 100% with

revaluation write-off all inventories of finished goods, the overdue period of which in stock is longer than 360 days. Irrespective of the created write-off, the Group conducts the active policy of sale of poorly rotating inventories.

#### INCOME TAX

The main items of tax charge for the period of 6 months ended on 30 June 2016 and 30 June 2015 are as follows:

Income tax	For the reporting period ended	
	30.06.2016	30.06.2015
<b>Current income tax</b>		
Current charge due to income tax	15 357	9 249
Adjustments related to current income tax from previous years	(311)	6
<b>Tax on account of participation in revenue in limited joint stock company due to its transformation into unlimited partnership</b>	415	
<b>Deferred income tax</b>		
Relating to the origination and reversal of temporary differences	(694)	544
<b>Tax charge in the consolidated profit and loss account</b>	<b>14 767</b>	<b>9 799</b>

#### TANGIBLE FIXED ASSETS

The balance sheet value of machinery and equipment used as at 30 June 2016 by the Group on the basis of financial lease agreements and lease agreements with the option of repurchase is PLN 2,599, ( as at 31 December 2015: PLN 3,194, as at 30 June 2015: PLN 4,412) of which PLN 645 thousand concerns leasing of machines and equipment, PLN 1,881-leasing of transport means and PLN 73 thousand lease of other fixed assets.

#### Pledged assets as security

Land and buildings with the balance sheet value of PLN 112,955 (As at 31 December 2015: PLN 99,759, as at 30 June 2015: PLN 73,842) are covered by mortgages established to secure bank loans.

Additionally, machinery and equipment with the balance sheet value of PLN 49,689 are subject to registered pledge (as at 31 December 2015: PLN 46,749, as at 30 June 2015: PLN 42,271).

Capitalised external financing costs in the reporting period ended 30 June 2016 did not occur (As at 31 December 2015: did not occur, as at 30 June 2015: PLN 63 thousand)

#### Capital commitments

As at 30 June 2016 investment liabilities of the Company amount to PLN 750 thousand. (As at 31 December 2015: PLN 1,584 , as at 30 June 2015: PLN 964 thousand).

#### Non-current assets held for sale

As at 30 June 2016, the Group did not have non-current assets classified as held for sale.

#### Purchase and sale

In the 6-month period ended 30 June 2016, the Group purchased tangible fixed assets with a value of PLN 48,397 (in the comparative period ended 30 June 2015: PLN 18,807) and sold tangible fixed assets with a net value of PLN 311 thousand). (in the comparative period ended 30 June 2015: PLN 1,432).

The most significant investments of the Company in the 1st half of 2016 include: expenditure incurred by TANNE Sp z o.o. on investment related to the construction of board factory in Suwałki in the amount of PLN 22,443, the purchase by Parent Company of Schelling saw with unloading station, production lines IMA with uploading station and expenditure for modernization of furniture store in Ostrów Mazowiecka. The Group, on account of construction of bard plant by TANNE Sp. Z o.o. conducted within the reporting period pre-payments of permanent means in the amount of PLN 66,479 indicated in the balance in the item "Receivables on account of deliveries and services and other receivables."

#### INVESTMENT PROPERTIES

The Group considers as investment real estate those property units which it does not use for internal purposes of the conducted production activity and thus they are treated by the Group as a source of income from long-term rentals or as a capital deposit.

As per the balancing day investment properties of the Group include: commercial centres in Wrocław and Bydgoszcz, complex of warehouses in Wrocław, property in Przemyśl, premises in Kraków and lands located in Sokółka.

	Fair value change	
	30.06.2016	31.12.2015



Opening balance at the beginning of the reporting period	71 660	48 068
Status increases (later expenditure)	-	23 592
- expenditure for modernization	-	97
- land purchase	22	-
- reclassification of fixed assets under construction	963	4 420
-revaluation to fair value	-	19 075
<b>Closing balance at the end of the reporting period</b>	<b>72 645</b>	<b>71 60</b>

## INTANGIBLE AND LEGAL ASSETS

### Research and development expenditure

In the reporting period ended 30 June 2016, the Group made expenditure on research and development recognised in the profit and loss account in the amount of PLN 818 thousand (in the reporting period ended 31 December 2015: PLN 387 thousand).

### Description of securities established on intangible assets

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

### Intangible assets are intended for sale

As at 30 June 2016, the Group did not have non-current assets classified as held for sale.

## FINANCIAL ASSETS

**The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 30 June 2016 was as follows:**

Other entities	Headquarters	Scope of activities	Percentage share of the Group in the capital 30.06.2016
Forte Baldai UAB	Vilnius (Lithuania)	Dealership	100%
Forte SK s.r.o.	Bratislava (Slovakia)	Dealership	100%
Forte Furniture Ltd.	Preston, Lancashire (United Kingdom)	Dealership	100%
Forte Iberia SLU	Valencia (Spain)	Dealership	100%
Forte Mobilier SARL	Lyon (France)	Dealership	100%
TM Handel Sp. z o.o.	Warszawa	Advisory services regarding conducting business activity and management	100%
Forestivo Sp. z o.o.	Suwałki	Service activity related to forestry, production of timber products	50%
Antwerp Sp. z o.o.	Warszawa	Activity of central companies and holdings	100%

**The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 30 June 2016 was as follows:**

Company Name	Nature of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0,05%	0,02%	0,03%
Forte SK S.r.o.	Subsidiary	0,25%	0,10%	0,03%
Forte Furniture Ltd.	Subsidiary	-0,34%	0,06%	0,01%
Forte Iberia S.l.u.	Subsidiary	0,02%	0,11%	0,01%

Forte Mobilier Sarl	Subsidiary	-0,04%	0,00%	0,00%
TM Handel Sp. z o.o.	Subsidiary	0,01%	0,485	0,17%
ANTWERP Sp. z o.o.	Subsidiary	-0,04%	0,00%	0,00%
Forestivo Sp. z o.o.	Subsidiary	0,00%	0,00%	0,01%

**The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 31 December 2015 was as follows:**

Company Name	Nature of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0,08%	0,04%	0,05%
Forte SK S.r.o.	Subsidiary	0,47%	0,24%	0,07%
Forte Furniture Ltd.	Subsidiary	-0,05%	0,13%	0,06%
Forte Iberia S.l.u.	Subsidiary	-0,05%	0,21%	0,02%
Forte Mobilier Sarl	Subsidiary	-0,06%	0,00%	0,01%
Forte Mobila S.r.l.	Subsidiary	-0,10%	0,00%	0,00%
TM Handel Sp. z o.o.	Subsidiary	0,29%	1,45%	0,32%
ANTWERP Sp. z o.o.	Subsidiary	-0,01%	0,00%	0,00%

**The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 31 December 2015 was as follows:**

Company Name	Nature of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0,05%	0,02%	0,05%
Forte SK S.r.o.	Subsidiary	0,05%	0,12%	0,18%
Forte Furniture Ltd.	Subsidiary	0,05%	0,05%	-0,43%
Forte Iberia S.l.u.	Subsidiary	0,03%	0,11%	0,16%
Forte Mobilier Sarl	Subsidiary	0,00%	0,00%	-0,01%
Forte Mobila S.r.l.	Subsidiary	0,00%	0,00%	-0,08%
TM Handel Sp. z o.o.	Subsidiary	0,35%	0,90%	0,19%
DYSTRI-FORTE Sp. z o.o.	Subsidiary	0,00%	0,00%	-0,01%
TANNE Sp. z o.o.	Subsidiary	0,00%	0,00%	-0,01%

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

**for the year ended 30 June 2016 and 30 June 2015**

Company Name	Headquarters	Subject of business activity	Carrying value of shares
Meblopol Sp. z o.o.	Poznań	Trade	3
<b>TOTAL</b>			<b>3</b>

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Cash in bank and in hand	13 372	19 268	11 183
Other cash (overnight deposits and deposits under three months, corporate bonds)	35 796	35 764	33 849
Cash in bank and in hand attributable to discontinued operations	-	-	-
<b>Total cash and cash equivalents</b>	<b>49 168</b>	<b>55 032</b>	<b>45 032</b>

Cash and cash equivalents at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are conducted for periods of time from one day to three months- depending on the current requirements of the Company for

funds and they are subject to negotiated individually interest rates. The fair value of cash and cash equivalents as at 30 June 2016 is PLN 49,168 (As at 31 December 2015: PLN 55,032, as at 30 June 2015: PLN 45,032).

As at 30 June 2016, the Group did not hold cash of limited disposability (as at 31 December 2015 and 30 June 2015: did not occur).

#### SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL

##### Share capital

In the reporting period ended 30 June 2016 there were no changes in the initial capital of the Parent Entity (year 2015: emission of 150,000 of G series shares of nominal value of PLN 1 occurred).

##### CAPITAL ON SALE ON STOCKS ABOVE THEIR NOMINAL VALUE

In the period of 6 months completed on June 30, 2016 there were no events causing the change in capital on sale above their nominal value (year 2015: surplus on sale of stocks of G series above their nominal value amounted to 1,568 PLN and was referred to inventory capital).

##### OTHER CAPITAL

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2016:	1 250	193 794	195 044
Write-down on gains for investments and the financing of the current activities of the Group	-	54 035	54 035
<b>as at 30 June 2016:</b>	<b>1 250</b>	<b>247 829</b>	<b>249 079</b>

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2015:	1 250	166 562	167 812
Write-down on gains for investments and the financing of the current activities of the Group	-	27 232	27 232
<b>as at 31 December 2015:</b>	<b>1 250</b>	<b>193 794</b>	<b>195 044</b>

	Reserve capital legally established	Other reserve capital	Total
as at 01 January 2015:	1 250	166 562	167 812
Write-down on gains for investments and the financing of the current activities of the Group	-	27 232	27 232
<b>as at 30 June 2015:</b>	<b>1 250</b>	<b>193 794</b>	<b>195 044</b>

##### Reserve capital from dividend fund and other reserve capitals

	Status as at		
	30.06.2016	31.12.2015	30.06.2015
Accumulated result obtained on financial instruments securing cash flows at the beginning of the financial period	4 595	3 925	3 925
Amount included in own capital in the reporting period on account of hedge transactions	(24 897)	5 088	9 043
Amount transferred to the profit and loss account for:			

<i>-ineffectiveness of realized transactions</i>	(63)	(2 255)	(1 152)
<i>-realization of hedge transactions</i>	(18)	(2 012)	(1 882)
<i>-discontinuation of hedge accounting</i>	-	-	-
Deferred income tax	4 746	(151)	(1 137)
Accumulated result obtained on financial instruments securing cash flows at the end of the financial period	<b>(15 637)</b>	<b>4 595</b>	<b>8 797</b>

**DIVIDEND PAID AND PROPOSED**

By virtue of a resolution of the Annual General Meeting of 17 May 2016, the decision was made to distribute the Company net profit for the financial year 2015 in the amount of PLN 77,936, allocating PLN 23,901 to the payment of dividend and PLN 54,035 to supplementary capital. The amount of dividend shall amount to PLN 1 per 1 share. The dividend record date was set for 25 May 2016. Dividend was paid on 13 June 2016.

By virtue of a resolution of the Annual General Meeting of 19 May 2015, the decision was made to distribute the Company net profit for the financial year 2014 in the amount of PLN 74,612, allocating PLN 47,502 to the payment of dividend and PLN 27,110 to supplementary capital. The amount of dividend shall amount to PLN 2,0 per 1 share. The dividend record date was set for 27 June 2015. Dividend was paid on 11 June 2015.

**EARNINGS PER SHARE**

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

	Period of 6 months ended	
	30.06.2016	30.06.2015
Net income (loss) from continued operations	53 980	37 091
Loss from discontinued operations	-	-
Net income (loss)	53 980	37 091
Net profit (loss) attributed to normal shareholders, applied to calculate diluted earnings per share	53 980	37 091

	Period of 6 months ended	
	30.06.2016	30.06.2015
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23 901 084	23 751 084
Impact of diluting		
Bonds convertible into shares	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share	23 901 084	23 751 084

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.

**INTEREST-BEARING LOANS AND BORROWINGS**

Short-term	Nominal interest rate %	Due date		
			31.06.2016	31.12.2015
mBank S.A. – investment loan in the amount of PLN 2,400 EUR- -short-term portion	1 M EURIBOR	by 31.12.2018	2 655	2 557
mBank S.A. – working capital loan in the amount of 1,00 EUR- -short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 15.12.2016	5 218	5 065
PKO BP S.A. – investment loan in the amount of PLN 3,500 EUR- -short-term portion	1 M EURIBOR	by 22.12.2018	3 261	3 140

PKO BP S.A.– working capital loan in the amount of PLN 100,000. - short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR	do 19.12.2016	-	51 138
ING Bank Śląski S.A. – working capital loan in the amount of PLN 45,000 - short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	do 31.10.2016	42 886	41 635
ING Bank Śląski S.A. – investment loan in the amount of EUR 985 thousand- short-term portion	3 M EURIBOR	do 29.09.2017	3 488	1 574
<b>Total short-term</b>			<b>57 508</b>	<b>105 109</b>

Long-term	Nominal interest rate %	Due date	30.06.2016	31.12.2015
PKO BP S.A.– working capital credit in the amount of PLN 100,000. - long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 09.06.2019	91 165	-
PKO BP S.A. – investment loan in the amount of EUR 3,500 – long-term portion	1 M EURIBOR	by 22.12.2018	4 788	6 180
mBank S.A. – investment loan in the amount of EUR 2,400 - long-term portion	1 M EURIBOR	by 31.12.2018	3 775	4 914
ING Bank Śląski S.A. – investment loan in the amount of EUR 985 thousand- long-term portion	3 M EURIBOR	by 29.09.2017	872	15 608
ING Bank Śląski S.A. – investment loan in the amount of EUR 4,250 -long-term portion	3 M EURIBOR	by 31.12.2021	18 810	2 623
<b>Long-term total</b>			<b>119 410</b>	<b>29 325</b>

Loan collateral as at	30 June 2016
PKO BP S.A. – investment loan in the amount 3,500 EUR.	<ol style="list-style-type: none"> <li>1. Registered pledge on purchased movable assets of the value not exceeding EUR 5,130 thousand .</li> <li>2. Cession of rights of insurance policy</li> <li>3. blank promissory note issued by the Borrower with promissory note declaration</li> </ol>
mBank S.A. – investment loan in the amount EUR 2,400	<ol style="list-style-type: none"> <li>1. Registered pledge on the purchased machinery and devices up to the maximum amount of guarantee of EUR 3,600.</li> <li>2. Cession of rights of insurance policy</li> </ol>

PKO BP S.A. – working capital loan in the amount PLN 100,000	<ol style="list-style-type: none"> <li>Total bail stipulated mortgage up to the amount of PLN 120,000 thousand on perpetual usufruct right to developed property of the Company and buildings located therein constituting a separate to land subject of ownership, located in Hajnówka at ul. 3-ego Maja 51 and Ostrów Mazowiecka at ul. Biała 1</li> <li>Own blank promissory note with promissory note declaration, transfer of rights from property insurance contracts on which the mortgage was established</li> <li>Registered pledge on reserves of items marked in terms of type, located in the branch in Hajnówka in the amount of PLN 32,456</li> </ol>
ING Bank Śląski S.A. – working capital loan in the amount PLN 45,000	<ol style="list-style-type: none"> <li>Registered pledge on movable assets in the factory in Suwałki and Ostrów Mazowiecka up to the highest sum of security of PLN 54,000 with cession of rights from insurance contract</li> <li>Collective open-end mortgage up to the amount of PLN 54,000 on the perpetual usufruct right of land and right of ownership to buildings in factory in Suwałki together with cession of rights to insurance contract</li> </ol>
mBank S.A. – working capital loan in the amount 1,000 EUR.	<ol style="list-style-type: none"> <li>Blank promissory note with promissory note declaration</li> </ol>
ING Bank Śląski S.A. – investment loan in the amount EUR 7,250	<ol style="list-style-type: none"> <li>Total bail stipulated mortgage up to the amount of EUR 6,000 on ownership right to land and premises at ul. Gen. W. Anders in Białystok</li> <li>Registered pledge on equipment of warehouse of high storing in Ostrów Mazowiecka</li> <li>Cession of rights from insurance policy</li> <li>Surety granted to Subsidiary</li> </ol>

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

Currency	Status as at		
	30.06.2016	31.12.2015	30.06.2015
PLN	-	-	5 043
EUR	159 793	117 667	81 947
USD	17 125	16 767	15 948
	<b>176 918</b>	<b>134 434</b>	<b>102 938</b>

Within the period of 6 months ended on 30 June 2016 the Group obtained a loan in the amount of PLN 40,454 and conducted repayments of loans for the total amount of PLN 3,140.

On 10 June 2016 the Management Board of the Parent Company signed with Powszechna Kasa Oszczędności Bank Polski S.A. annex to the loan agreement on current account from 14 February 2000. Pursuant to the above noted annex the maximum amount of loan was increased by PLN 45,000, that is up to the amount of PLN 100,000 and the period of loan validity was extended until 9 June 2019.

Description of loan collateral has been presented in the above note.

On 28 June 2016 the company DYSTRI-FORTE Sp. z o.o concluded with ING Bank Śląski SA an annex to the investment loan agreement up to the total value of EUR 7,250. The description of conditions and collateral for the loan may be found in the table above. Annex introduced a change of definition of completion date and period of availability of the loan.

#### FINANCIAL INSTRUMENTS

During the reporting period, there were no changes in the classification financial instruments and no movements between individual hierarchy levels of financial instruments' fair value.

#### HEDGE ACCOUNTING AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS

Within the Parent Company the hedge accounting of derivative instruments is applied.

Prior to concluding hedging transaction, as well as during its course, the Parent Company confirms and documents that between the changes in fair value of the hedging instrument and changes in fair value of hedging item there is a strong negative correlation. Effectiveness of hedging is subject to ongoing assessment and monitoring. Detailed description of the applied accounting principles for hedging is included within the interim condensed financial statement of the Parent Company in note no.14.

**RELATED PARTY TRANSACTIONS****Business transactions**

The following table presents the total amounts of transactions concluded with related entities not included in the consolidation, for the period of 6 months ended 30 June 2016 and 30 June 2015 and for the year ended 31 December 2015, respectively.

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

<b>Related entity</b>		<b>Sale to affiliated entities</b>	<b>Purchase from affiliated entities</b>	<b>Receivables from affiliated entities</b>	<b>Liabilities towards affiliated entities</b>
Subsidiaries:					
Forte Baldai UAB	30.06.2016	-	92	-	15
	31.12.2015	-	176	-	14
	30.06.2015	-	87	-	15
Forte SK S.r.o.	30.06.2016	9	578	-	97
	31.12.2015	-	1 105	-	93
	30.06.2015	-	545	-	92
Forte Furniture Ltd.	30.06.2016	-	369	59	-
	31.12.2015	-	623	-	-
	30.06.2015	-	239	-	41
Forte Iberia S.l.u	30.06.2016	9	657	177	-
	31.12.2015	5	1 004	25	-
	30.06.2015	5	496	-	19
Forte Mobilier S.a.r.l.	30.06.2016	-	-	-	-
	31.12.2015	-	-	-	-
	30.06.2015	-	-	-	-
TM Handel Sp. z o.o.	30.06.2016	2 631	211	804	355
	31.12.2015	4 419	3 461	320	232
	30.06.2015	3 035	522	767	402
<b>Total</b>	<b>30.06.2016</b>	<b>2 649</b>	<b>1 907</b>	<b>1 040</b>	<b>467</b>
	<b>31.12.2015</b>	<b>4 424</b>	<b>6 369</b>	<b>367</b>	<b>339</b>
	<b>30.06.2015</b>	<b>3 040</b>	<b>1 889</b>	<b>767</b>	<b>569</b>

**Loans and credits granted to affiliated entities**

On 29 February 2016 the Parent Company concluded an annex to the loan agreement with subsidiary Antwerp Sp. z o.o, in accordance with which the amount of loan was increased up to PLN 30 thousand. The total repayment of the loan is planned to be repaid until 31 December 2016.

The balance of granted loans as of 30.06.2016 has been presented in the table below:

<b>Related entity</b>	<b>Loan value</b>	<b>Loan currency</b>	<b>Repayment term</b>	<b>Loan balance as at 31.12.2015</b>	<b>Value of interest due as at 31.12.2015</b>
Subsidiaries:					

Fort Mobilier S.a.r.l.	10	EUR	December 2017	44	-
Antwerp Sp. z o.o.	30	PLN	December 2016	30	-
<b>Total:</b>					
<b>Including:</b>					
<b>Short-term portion:</b>					
Fort Mobilier S.a.r.l.				22	-
Antwerp Sp. z o.o.				30	-
<b>Total:</b>				<b>52</b>	<b>-</b>
<b>Long-term portion:</b>					
Fort Mobilier S.a.r.l.				22	-
<b>Total:</b>				<b>22</b>	<b>-</b>

Balance of granted loans as at 31.12.2015 has been presented in the table below:

Related entity	Loan value	Loan currency	Repayment term	Loan balance as at 31.12.2015	Value of interest due as at 31.12.2015
<b>Subsidiaries:</b>					
Fort Mobilier S.a.r.l.	10	EUR	December 2017	43	-
Antwerp Sp. z o.o.	10	PLN	July 2016	10	-
<b>Total:</b>				<b>53</b>	<b>-</b>
<b>Including:</b>					
<b>Short-term portion:</b>					
Antwerp Sp. z o.o.				10	-
<b>Total:</b>				<b>10</b>	<b>-</b>
<b>Long-term portion:</b>					
Fort Mobilier S.a.r.l.				43	-
<b>Total:</b>				<b>43</b>	<b>-</b>

The above loan was granted on market conditions (variable interest rate based on WIBOR/EURIBOR plus margin).

As of 30 June 2015 all loans granted to non-consolidated subsidiaries have been repaid.

## JOINT VENTURES IN WHICH PARENT COMPANY IS PARTNER

Parent Company of the Group is not involved in joint ventures.

## CONDITIONS OF TRANSACTIONS WITH SUBSIDIARIES

All transactions with related entities are conducted on conditions applied by the Group in relations with non-related entities.

## TRANSACTIONS INVOLVING THE MANAGEMENT BOARD, KEY MANAGERIAL STAFF AND MEMBERS OF THEIR IMMEDIATE FAMILIES.

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

Detailed description of the Incentive Scheme may be found within the Half-year condensed Financial Statements of the Parent Company within point no. 16.



**CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD**

Did not occur.

**28. OFF-BALANCE SHEET ITEMS**

On 27 March 2013 the Parent Company granted four guarantees of bank loans obtained by FURNIREX Sp. z o.o. with its seat in Hajnówka for the financing of technological investment of total value PLN 18,299. FURNIREX Sp. z o.o. submitted an offer to the Parent Company, in line with which it invested the funds obtained from technological loans in modern investments which were located in the production facility in Hajnówka rented out from Forte S.A. FURNIREX Sp. z o.o., assisted by modern technologies, conducts services of processing of common materials for FORTE and for other furniture producers. Guarantees were given towards BRE Bank S.A. (present mBank S.A.) with validity period until 30 June 2018. As at 30 June 2016, loans balance amounted to PLN 2,236.

In the reporting period completed on June 30, 2016 the Company granted the following sureties for the investment liabilities of the subsidiary TANNE Sp. z o. o. :

- for SIEMPELKAMP Maschinen- und Anlagenbau GmbH from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the agreement is 23,650 EUR . The completion date of the realization of the investment was foreseen for July 2018.
- for Büttner Energie - und Trocknungstechnik GmbH from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the agreement is 15,000 EUR. The completion date of realization of the investment was foreseen for March 2018.
- for PAL SRL from the agreement for designing, supply, installation and launch of the part of the production line for the production of plywood. A total amount net of the investment is 22,947 EUR (Initial value of the agreement of 30.05.2016 amounted to 19,500 EUR. On 03.08.2016 the annex was signed to the agreement extending the scope of the investment and increasing the value of the agreement up to 22,947 EUR). The completion date of the realization of the investment was foreseen for May 2018.
- for BUDIMEX S.A. From the agreement for the complex realization of the investment task and the system of general workmanship in the form of designing and construction of the production-warehouse building with the area of about 33,600 m<sup>2</sup> in a completed finished status. A total net value of the agreement is 28,550 PLN. The completion date of the investment was foreseen for February 2017.

**29. EVENTS WHICH OCCURRED POST BALANCE DATE**

On 22 July 2016 the Company obtained notifications concerning transaction of obtaining 50,000 items of shares of the Company by person fulfilling managerial functions within the Company.

On 3 August 2016 the Company concluded an agreement with BDO Sp z o.o. for review and routine tests and a consolidated financial statement for the year 2016. BDO Sp. z o.o. is an entity authorized to conduct financial statements, entered onto the list of National Chamber of Statutory Auditors under the number 3355. Company used the services of BDO Sp. z o.o. in the scope of training and advisory services and in the scope of review and routine test and consolidated financial statement for the years 2012-2015. Basis for conclusion of the agreement shall be the resolution of the Supervisory Board no. 14/2012 from 29 June 2012 on selection of statutory auditor for FABRYKI MEBLI „FORTE” SA and Capital Group FABRYKI MEBLI FORTE S.A.

On 8 August 2016 the Company obtained a notification from the District Court in Bielsko Podlaska IX Off-site Department of Land and Mortgage Register in Hajnówka regarding entry on 4 August 2016 towards PKO BP S.A., increase of total normal stipulated mortgage up to the amount of PLN 120,000 on perpetual usufruct rights to developed land properties and devices, constituting a separate to land subject of ownership, located in Hajnówka at ul. 3-ego Maja 51, for which District Court in Bielsko Podlaskie IX Off-site Department of Land and Mortgage Register in Hajnówka conducts land and mortgage registered with number BI2P/00017202/7.

on 12 August 2016 the Company concluded with subsidiary Tanne Sp. z o.o. an Annex to the loan agreement of 13 June 2016 increasing the loan up to the amount of EUR 20,000 with a date of last drawdown on 30 June 2018. Drawdown may occur in PLN or EUR currency. Repayment will occur in 20 instalments starting from 30 September 2018.

On 12 August 2016 the Company concluded with ING Bank Śląski S.A. a subsequent supplementary agreement to loan agreement of 24 June 2003. The subject of supplementary agreement is an increase of loan amount up to the amount of PLN 100,000. Lona collateral is own blank promissory note with promissory note declaration, registered pledge up to the maximum amount of surety of PLN 120,000 on movable assets in the form of reserves located in the plant in Suwałki at ul. Północna 30 and in Ostrów Mazowiecka at ul. Biała 1. The value of registered pledge on movable assets located in plant in Suwałki at ul. Północna was also increased from the maximum amount of surety of PLN 54,000 to the amount PLN 120,000. An additional surety remains capped total mortgage up to the amount of PLN 54,000 established on perpetual usufruct rights to the land property located in Suwałki at ul. Północna 30 and on property right to buildings and devices located therein and cession of rights from insurance policies with the subject of movable assets.

On 19 August 2016 the company obtained a notification from the District Court in Ostrów Mazowiecka, Vth Department of Land and Mortgage Register regarding an entry on 17 August 2016 towards PKO BP S.A., increase of total contractual capped mortgage up to the amount of PLN 120,000 on perpetual usufruct rights to developed properties of the Company and buildings and devices located on these properties, which constitute a separate to land subject of ownership, located in Ostrów Mazowiecka at ul. Biała no. 1 for which District Court in Ostrów Mazowiecka, Vth Department of Land and Mortgage Register conducts land and mortgage register number OS1M/00000739/8.

Parent Company on 26 August 2016 concluded the following zero cost sale transaction of Call option and purchase Put option, securing against exchange rate risk:

- with bank PKO BP S.A.

1. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-10
2. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-10
3. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-24
4. 2.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-07-24
5. 3.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-12
6. 3.000.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-12
7. 3.500.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-26
8. 3.000.000 EUR – Put 4,4000 – Call 4,8650 with an expiration date 2019-08-26

The total nominal amount of the transactions amounts to EUR 46 million (EUR 23 million for each option type), which is equivalent to the amount of PLN 199,042

**Signature of the person entrusted with bookkeeping:**

**Chief Accounting  
Anna Wilczyńska**

.....

**Signatures of all members of the Management Board:**

**President of the Management Board  
Maciej Formanowicz**

.....

**Member of the Management Board  
Maria Florczuk**

.....

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

.....

**Member of the Management Board  
Gert Coopmann**

.....

**Member of the Management Board  
Mariusz Gazda**

.....

Ostrów Mazowiecka, 30 August 2016