

Ostrów Mazowiecka, 29 October 2018

CURRENT REPORT NO 29/2018

Subject: confidential information – preliminary financial results of the Issuer for Quarter 3 of 2018

The Management Board of FABRYKI MEBLI "FORTE" S.A. with its registered office in Ostrów Mazowiecka (hereinafter: Issuer, Company) hereby publicizes the preliminary information on financial results of FABRYKI MEBLI "FORTE" S.A. Capital Group (hereinafter: the Group) for Quarter 3 of 2018.

According to the preliminary calculations, the approximate value of consolidated revenues on sales in Quarter 3 of 2018 was PLN 256 million (of which PLN 8 million on sales of particle board) compared with PLN 268 million in the same period of 2017.

Over the period of nine months of 2018, the estimated value of consolidated turnover was PLN 810 million (of which PLN 14 million on sales of particle board) compared with PLN 804 million over a nine-month period of 2017.

The estimated value of the Group's consolidated EBIT for Quarter 3 of 2018 was PLN 14.4 million, compared with PLN 23 million in Quarter 3 of 2017.

Over the period of nine months of 2018, the estimated value of EBIT was PLN 53.5 million compared with PLN 80.6 million over the corresponding period of 2017.

The estimated value of the Group's consolidated EBITDA for Quarter 3 of 2018 was PLN 27.3 million, compared with PLN 30.1 million in Quarter 3 of 2017. Over the period of three quarters of 2018, the estimated value of EBITDA was PLN 85.3 million compared with PLN 100.2 million over the corresponding period of 2017.

The Management Board informs that the above financial results are estimates and may differ from the final figures to be presented in the periodic report for Quarter 3 of 2018.

As a comment on the aforesaid results, the Management Board of the Issuer confirms that the poor result on sales in Quarter 3 are the effect of a considerable slowdown on the market of furniture retail market, both in Poland and abroad. The slowdown tendency, which was observed by the Company already in Quarter 2, became even more evident in Quarter 3 and directly affected profitability. The Company estimates that the product offer sorting in the first half of the year also affected the turnover in Quarter 3. The decline in year-to-year turnover on furniture sales by 7% only was the effect of launching several essential promotional campaigns with the largest customers, the cost of which translated directly to the margins accomplished.

Also, the effectiveness of the new raw-chipboard production plant in the current quarter was below expectations, chiefly due to unplanned stopovers resulting from breakdowns. The Management Board of the Issuer emphasizes that despite very smooth commencement of the production process in the new factory, the raw board production plant is still at the stage of start-up, both when it comes to efficiency and the target parameters of products, and the Issuer assumes that similar situations may re-occur until the production process has become fully stabilized.

The third factor which has affected the results of Quarter 3 is the situation on the job market and the salary pressure, which led to commencement of implementation of the pay regulations at the end of July and beginning of August, which increased the effective remuneration in the Capital Group.

Considering the Company's turnover accomplished in Quarter 3 of 2018, the Management Board of the Issuer confirms that they are below their expectations expressed at the end of Quarter 2.