

**REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF FABRYKI
MEBLI "FORTE" SPÓŁKA AKCYJNA IN THE FINANCIAL YEAR 2014**

and

**REPORT ON THE ASSESSMENT OF THE COMPANY'S STANDING, INCLUDING
THE ASSESSMENT OF THE INTERNAL CONTROL SYSTEM AND SIGNIFICANT
RISK MANAGEMENT SYSTEM**

I. OVERVIEW

The Supervisory Board of FABRYKI MEBLI "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (the Company) acts under generally binding provisions of law, in particular the Code of Commercial Companies, the Company's Articles of Association, the Regulations of the Supervisory Board and in accordance with the "Code of Best Practice for WSE Listed Companies" adopted by the Company, guided by the Company's reasonable interest and the good of its Shareholders.

In accordance with § 4 of the Regulations of the Supervisory Board, the Supervisory Board constantly supervises all fields of the Company's activity. In particular, its tasks include assessing the Company's financial statements and the Management Board's reports on the Company's operations from the point of view of their consistency with accounting books and documents as well as the actual state, as well as the Management Board's motions as to profit distribution or loss coverage, as well as submitting to the General Meeting the annual written report on the results of this assessment.

Members of the Supervisory Board, in particular the Chairman, were in constant contact with the Company's Management Board, carrying out consultations regarding individual fields of its activity.

In the financial year 2014, the composition of the Supervisory Board was as follows:

- | | |
|---------------------------------|--|
| - Zbigniew Mieczysław Sebastian | – Chairman of the Supervisory Board |
| - Władysław Frasyniuk | – Vice Chairman of the Supervisory Board, until 10 June 2014 |
| - Tomasz Domagalski | – Member of the Supervisory Board |
| - Stanisław Krauz | – Member of the Supervisory Board |
| - Marek Rocki | – Member of the Supervisory Board |

On 10 June 2014 the Ordinary General Meeting of Shareholders of FABRYKI MEBLI „FORTE” S.A, due to the elapse of present term of office of the Supervisory Board, appointed a new, 4-year term of office the following persons, who were the Members of the Supervisory Board of the Company within the previous term of office:

- Zbigniew Mieczysław Sebastian - appointed as Chairman of the Supervisory Board,
- Tomasz Domagalski – Member of the Supervisory Board,
- Władysław Frasyniuk – Member of the Supervisory Board,
- Stanisław Krauz – Member of the Supervisory Board,

At the same time, the Ordinary General Meeting of Shareholders of the Company appointed Mr Stefan Golonka for Member of the Supervisory Board of FABRYKI MEBLI „FORTE” S.A. Stefan Golonka was appointed as the new Deputy Chairman of the Supervisory Board .

In the reporting period, i.e. from 1 January 2014 to 31 December 2014, the Supervisory Board conducted six meetings, including two by means of a written mode, during which it passed 25 resolutions concerning, among others:

1. establishing the number of Management Board Members of the Company,
2. appointing new Members of the Management Board of the Company,
3. establishing the conditions of performing the function of the Members of the Management Board of the Company,
4. selecting the Management Board for a new term of office,
5. granting bonus and fee for the Member of Management Board,
6. assessing financial report of the Company and report of the Management Board on the Company activity for the financial year 2013,
7. assessing the consolidated financial report and Management report from activities of Capital Group FABRYKI MEBLI „FORTE” S.A. in the financial year 2013,
8. assessing the motion by the Management Board regarding division of net profit of the Company for the financial year 2013 and dividend payment,
9. approving the report on the activity of the Supervisory Board for the year 2013,
10. assessing matters constituting an agenda for the meeting of the Ordinary General Meeting of the Shareholders of the Company,
11. fulfilling the conditions for granting the warrants of C series to the Authorized Persons in the III year of Incentive Programme being in place,

12. defining Authorized Persons and number of warrants of C series which are designated for the Authorized Persons and submitting the offer of subscription for series C warrants,
13. establishing the issue price of Company shares of H series,
14. granting consent for liquidation of the Company FORTE MOBILA S.R.L. with its seat in Bacau (Romania),
15. Selecting Vice-Chairman of the Supervisory Board.

The activities of the Supervisory Board in the year 2014 concentrated around matters of material importance for the operations of the Company. The Supervisory Board carefully observed all aspects of the Company's activity and the activities of the Management Board. In 2014 the Supervisory Board appointed for Company Management new Members who will be responsible, among others, for matters related to Company finance, as well as investments and corporate marketing. The scope of activities subject to control, consultations and opinions of the Supervisory Board included significant fields of activity, such as assessing financial statements and the Management Board's reports on the Company's operations, and approving and consenting to the Management Board's performance of certain activities reserved for the competence of the Supervisory Board. The Supervisory Board analysed the Company's financial results, the course of the investment process and matters regarding key projects implemented by the Company's Management Board in the year 2014 on a regular basis.

Opinions expressed by the Supervisory Board were favourably received by the Company's General Meeting, which adopted decisions in accordance with the Supervisory Board's recommendations.

Taking into account the resolution of the Annual General Meeting of FABRYKI MEBLI "FORTE" S.A. adopted on 22 June 2011, the Supervisory Board serves as the audit committee.

II. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE COMPANY'S OPERATIONS AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014.

In accordance with the provisions of Article 382 § 3 in relation to Article 395 §2(1) of the Code of Commercial Companies and § 4(2)(e) of the Regulations of the Supervisory Board, the Supervisory Board has audited:

- I. the report of the Management Board of FABRYKI MEBLI "FORTE" Spółka Akcyjna on the Company's operations in the financial year 2014,
- II. the financial statements of FABRYKI MEBLI "FORTE" S.A. for the financial year 2014.

The results of the audit are as follows:

I. Audit of the report of the Management Board of FABRYKI MEBLI “FORTE” Spółka Akcyjna on the Company’s operations in the year 2014.

The Supervisory Board expresses a positive view of the implementation of the Company's action strategy and the targets set by the Management Board. Having analysed the report of the Management Board of FABRYKI MEBLI “FORTE” S.A. on the Company’s operations in 2014, the Supervisory Board concludes that:

1. the report has been prepared in accordance with the provisions of law and contains information regarding:
 - a) events significantly affecting the Company’s activity which occurred during the financial year and later — until the approval of the report on the Company's operations,
 - b) current and expected financial situation,
 - c) expected development of the Company,
 - d) status of the conducted research and technical development,
 - e) employment in the Company.

2. The information on significant events affecting the Company's operations presented in the report includes data regarding:
 - a) changes in the Company's ownership structure occurring in the reporting period,
 - b) existing changes in composition of the Supervisory Board and Management Board of the Company,
 - c) employment and work organisation in the Company,
 - d) economic and financial results of the Company's operations,
 - e) the Company's investment activity and financial management,
 - f) the main items of the balance sheet, profit and loss account, changes in equity and cash flows.

The Supervisory Board believes that the scope and manner of presentation of this information thoroughly, correctly, reliably and clearly reflect all significant events and their impact on the asset and financial standing and the results achieved by the Company in 2014.

In the opinion of the Supervisory Board, the Management Board's report on the Company's operations contains a true description of the development and achievements of the Company, including basic risks and threats for the operations of FABRYKI MEBLI “FORTE” S.A.

At the same time, the Supervisory Board concludes that during the activities performed by the Supervisory Board in the reporting period it was adequately informed by the Company's Management Board of these events.

II. Audit of the financial statements of FABRYKI MEBLI "FORTE" Spółka Akcyjna for the financial year 2014, verified by a certified auditor.

Having examined the Company's financial statements for the financial year 2014, taking into consideration the auditor's opinion on the audit of the financial statements prepared by the Company's auditor, BDO Sp. z o.o. with its registered seat in Warsaw, the Supervisory Board has made an assessment of the Company's financial statements in the scope of their consistency with accounting books and documents and the actual status.

Therefore, the Supervisory Board concludes that the Company's financial statements for the financial year 2014, including:

- introduction to the financial statement,
- the statement of financial situation prepared as at 31 December 2014, showing at the assets and liabilities the sum of 622,624 thousand PLN (in words: six hundred and twenty two millions, six hundred twenty four thousand zloty),
- the profit and loss account for the financial year from 1 January 2014 to 31 December 2014, presenting a net profit of 74,612 thousand PLN (in words: seven hundred seventy four million, six hundred and twelve thousand PLN),
- the statement of comprehensive income for the financial year ending on 31 December 2014 indicating total income amounting to 71,504 thousand PLN (in words: seventy one million five hundred and four Polish zloty)
- the statement of changes in equity for the financial year ending on 31 December 2014 indicating an increase in equity by the amount 35,877 thousand PLN (in words: thirty five million eight hundred seventy seven thousand zloty),
- cash flow statement for the financial year for the financial year ending on 31 December 2014 indicating a net decrease in cash by 21,224 thousand PLN (in words: twenty one million two hundred and twenty four thousand zloty),
- and additional information and explanations

were prepared in accordance with the Company's accounting books and documents and with the actual state.

In the opinion of the certified auditor the financial statement within all key aspects:

- a) presents in a reliable and clear way key information for the assessment of the assets and financial situation of the Company as at 31 December 2014, as well as its financial result for the financial year ending on 31 December 2014,

- b) has been elaborated in accordance with the International Accounting Standards, International Financial Reporting Standards and the relevant interpretations issued in the form of the European Commission Regulations, and in the scope not regulated by these standards-in accordance with the provisions of the Accounting Act and implementing measures issued on its basis as well as pursuant to the correctly maintained accounting books.
- c) is compliant with legal provisions and provisions of the Company's Statute impacting the content of the financial statement.

In the opinion of the certified auditor the report on Company's activities is complete in the meaning of art. 49 of the Accounting Act and incorporates the regulations of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by the issuers of securities and the conditions of considering as equivalent information required by law of a non-member state (Polish Journal of Laws from 28 January 2014, item 133), and information contained therein, as sourced from the audited consolidated financial statements, is compliant with such statements.

Post analyzing individual components of the financial statement of the Company and the opinion as well as the report of the certified auditor, the Supervisory Board indicated no objections as to the correctness and reliability of the financial statement of FABRYKI MEBLI „FORTE” S.A. for the financial year 2014.

At the same time, the Supervisory Board notes that the financial statement is compliant with the information contained in the Management Board report on Company activity of FABRYKI MEBLI „FORTE” S.A. for the year 2014.

III. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF THE FABRYKI MEBLI “FORTE” S.A. CAPITAL GROUP AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014.

Acting in accordance with the provisions of Article 382 § 3 in relation to Article 395 §2(1) and § 5 of the Code of Commercial Companies and § 4(2)(e) of the Regulations of the Supervisory Board, the Supervisory Board has audited the Report on the operations of the FABRYKI MEBLI “FORTE” Spółka Akcyjna Capital Group in 2014 and the Consolidated financial statements of the FABRYKI MEBLI “FORTE” S.A. Capital Group for the period from 1 January to 31 December 2014.

Having examined the auditor's opinion on the audit of the Consolidated financial statements of

the FABRYKI MEBLI "FORTE" S.A. Capital Group for the financial year ended 31 December 2014 prepared by the auditor, BDO Sp. z o.o. with its registered seat in Warsaw, the Supervisory Board concludes that:

1. the consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the financial year 2014, including:
 - a. consolidated report on financial situation drawn up as at 31 December 2014 showing total assets and liabilities of 638,730 thousand PLN (in words: six hundred and thirty eight million, seven hundred and thirty thousand zloty),
 - b. the consolidated profit and loss account for the financial year ending on 31 December 2014 showing net cash inflow amounting to 75,152 thousand PLN (in words: seventy five million one hundred and fifty two thousand PLN),
 - c. The consolidated pro forma statement of comprehensive income for the financial year ending on 31 December 2014, showing comprehensive income of 72,304 thousand PLN (in words: seventy two million three hundred and forty thousand zloty),
 - d. The consolidated statement of changes in equity for the financial year ending on 31 December 2014 showing increase in equity by 36,677 thousand PLN (in words: thirty six millions six hundred and seventy seven thousand zloty),
 - e. The consolidated statement of changes in equity for the financial year ending on 31 December 2014 showing a decrease of cash by an amount of 20,614 thousand PLN (in words: twenty milion six hundred and fourty thousand zloty),
 - f. additional information regarding the accepted accounting principles and other explanatory notes.

2. the Management Board's report on the operations of the FABRYKI MEBLI "FORTE" S.A. Capital Group in the financial year 2014,

were prepared in accordance with the Company's accounting books and documents and with the actual state. In the opinion of the certified auditor the Consolidated financial statement of the Capital Group FABRYKI MEBLI „FORTE” S.A in all key aspects:

- d) presents in a reliable and clear way key information for the assessment of the assets and financial situation of the Company FABRYKI MEBLI „FORTE” S.A. as at 31 December 2014, as well as its financial result for the financial year ending on 31 December 2014,

- a) has been elaborated in accordance with the International Financial Reporting Standards approved by the European Union,
- b) is compliant with legal provisions in place within the Capital Group impacting the content of the financial statement.

The report on Company's activities for the financial year ending on 31 December 2014 is complete in the meaning of art. 49 (2) of the Accounting Act and of the Ordinance of the Minister of Finance of 28 January 2014 on current and periodical information submitted by the issuers of securities and the conditions of considering as equivalent information required by law of a non-member state (Polish Journal of Laws from 28 January 2014, item 133), and information contained therein, as sourced from the audited consolidated financial statements, is compliant with such statements.

Having analysed the Consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the financial year 2014, and the report of the Management Board of the Capital Group for 2014 and the opinion and report of the certified auditor, the Supervisory Board does not raise objections as to the correctness and truthfulness of the abovementioned reports of the FABRYKI MEBLI "FORTE" S.A. Capital Group.

IV. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM AND SIGNIFICANT RISK MANAGEMENT SYSTEM

On the basis of the analysis of the financial statements of the Company and the Capital Group for 2014, the Management Board's report for 2014, the Management Board's consolidated report on the operations of the Capital Group for 2014 and the ongoing cooperation with the Company's Management Board, the Supervisory Board, which at the same time performs the tasks of the audit committee, concludes that the Company's Management Board is fully responsible for the functioning of the internal control system and significant risk management system. In the process of current management and direction of the Company, and also in the phase of preparing periodical reports, the Management Board performs a periodical verification of risk factors significant for the Company on an ongoing basis throughout the whole financial year.

The Company's Management Board is also responsible for the efficiency of the internal control system in the process of preparing financial statements. The Management Board represented by the Management Board Member responsible for financial matters directly supervises the process of preparing the contents of the Company's financial statements and interim reports. The integrated IT system SAP R/3 functioning at the Company, the V-desk system which covers registration, factual

description, posting and acceptance of invoices – in line with competences assigned by the Management Board, and the accounting policy approved by the Company's Management Board and based on International Accounting Standards allow for and ensure the correct functioning of internal control of every operation with financial implications for the Company.

Within the internal control system, the Company has developed detailed planning, budgeting and management analytics processes which allow for:

- detailed planning of costs for each cost centre, isolated from the Company's structure,
- monthly settlement of actually incurred costs and constant analysis of deviations,
- monthly control of budget execution for individual cost centres together with monthly verification of the levels of controlling indicators divided into
- profit centres, products and sales areas, reported by the Controlling Department to the Management Board and indirectly to the Company's Supervisory Board, and hedging the exchange rate risk,
- assessing all investment applications in view of the estimated rate of return of a given investment.

The internal control system and significant risk management system function also on the basis of:

- a clear and documented division of powers and responsibilities adopted in the internal acts of the Company,
- provisions of law regarding the products and scope of operations of the Company,
- a set of internal regulations, procedures and instructions,
- work quality control performed by directors of individual organisational units,
- product quality control reported cyclically to the Company's Management Board,
- inspections of threats and risk on individual work stations,
- reviews of the management system in organisational areas and processes,
- external and internal audits.

The Company implemented a new investment procedure the main purpose of which is to enable supervision of full control over each stage of planning and realization of investments. The current analysis of investment processes ensures a reliable financial, materials and asset-related information. It allows thus to identify potential errors, deviations or any other irregularities during realization of particular stages of investment thanks to what it is possible to input the necessary corrections related to investment processes and especially their correct and thorough settlement.

The abovementioned procedures of internal control and the significant risk management system are viewed by the Supervisory Board as coherent, stable and efficient tools which allow to significantly

limit risks related to current operations. The Company is aware of the risk related to the conducted activity and has implemented control mechanisms which enable it to manage risk and keep it at acceptable levels, both in production divisions and in other fields of activity. The Supervisory Board expresses a positive view of the internal control system and significant risk management system functioning at the Company in 2014, and concludes that their functioning limits the main risks in the Company's operations.

In the opinion of the Supervisory Board, the Company's situation is stable. The Supervisory Board does not see any real threats to the functioning of the Company, and the financial results achieved for 2014 should be considered satisfactory.

V. ASSESSMENT OF THE ACTIVITIES OF THE SUPERVISORY BOARD IN 2014

The Supervisory Board conscientiously fulfilled the tasks of a specialised body exerting control over the management of the Company on behalf of the shareholders. The Supervisory Board is composed of individuals with vast experience and professionalism, who possess the potential which allows to analyse the information received from the Company. Also the participation of independent Members of the Supervisory Board in the activities was a guarantee of using objective assessment criteria for issues submitted for analysis by the Board.

The Supervisory Board, as a group of experts, also performed advisory functions to the Management Board, contributing their knowledge and experience and offering support in the decisions made.

The Supervisory Board reliably and efficiently supervised the actions of the Management Board and expresses a positive view of its activities in the financial year 2014, also with regard to the correct functioning of the internal control system and significant risk management system.

Signature:

Zbigniew Sebastian

Chairman of the Supervisory Board
of FABRYKI MEBLI "FORTE" S.A.