

**REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD
OF FABRYKI MEBLI "FORTE" SPÓŁKA AKCYJNA
IN THE FINANCIAL YEAR 2013**

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 activities 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 2013, the composition of the Supervisory Board was as follows:

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| - Zbigniew Mieczysław Sebastian | – Chairman of the Supervisory Board |
| - Władysław Frasyniuk | – Vice Chairman of the Supervisory Board |
| - Tomasz Domagalski | – Member of the Supervisory Board |
| - Stanisław Krauz | – Member of the Supervisory Board |

- Marek Rocki

– Member of the Supervisory Board

In the reporting period, i.e. from 1 January 2013 to 31 December 2013, the Supervisory Board held four meetings during which it adopted resolutions regarding, *inter alia*:

1. consent to granting sureties and conditional acquisition of rights and obligations,
2. approval of a borrowing granted by the Company to a subsidiary,
3. consent to the payment of advances to Members of the Management Board against bonuses due for the year 2012,
4. assessment of the Company's financial statements and the Management Board's report on the Company's activities in the financial year 2012,
5. assessment of the consolidated financial statements and the Management Board's report on the activities of the FABRYKI MEBLI "FORTE" S.A. Capital Group in the financial year 2012,
6. assessment of the motion of the Management Board on the distribution of the Company's net profit for the financial year 2012,
7. acceptance of the report on the activities of the Company's Supervisory Board in the year 2012,
8. approval of the surety agreement concluded by FABRYKI MEBLI "FORTE" S.A.,
9. bonuses, awards and remuneration of Members of the Management Board,
10. fulfilment of conditions for granting series B warrants to Entitled Persons in the second year of the Incentive Scheme,
11. consent to the purchase of shares of a limited joint-stock partnership,
12. consent to making a non-cash contribution to the limited joint-stock partnership,
13. consent to establishing a company in the territory of Russia,
14. consent to the purchase of real property located in Białystok,
15. consent to FABRYKI MEBLI "FORTE" S.A. establishing a limited joint-stock partnership and participating in that partnership in the capacity of shareholder,
16. approval of the "Company's Plan for the year 2014" and the "Plan of the Company's Capital Group for the year 2014",
17. making a donation.

The activities of the Supervisory Board in the year 2013 concentrated around matters of material importance for the activities of the Company. The Supervisory Board carefully observed all aspects of the Company's activity and the activities of the Management Board. 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 activities, 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 2013 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 in the period when it is composed of no more than five members.

II. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE COMPANY'S ACTIVITIES AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013.

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 activities in the financial year 2013,
- II. the financial statements of FABRYKI MEBLI "FORTE" S.A. for the financial year 2013.

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 activities in the year 2013.

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 activities in 2013, 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 activities,
 - 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 activities presented in the report includes data regarding:
- a) changes in the Company's ownership structure occurring in the reporting period,
 - b) the composition of the Company's Supervisory Board and Management Board,
 - c) employment and work organisation in the Company,
 - d) economic and financial results of the Company's activities,
 - 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 2013. In the opinion of the Supervisory Board, the Management Board's report on the Company's activities contains a true description of the development and achievements of the Company, including basic risks and threats for the activities 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 2013, verified by a certified auditor.

Having examined the Company's financial statements for the financial year 2013, 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 2013, including:

- additional information on the adopted accounting policies,
- the statement of financial position prepared as at 31 December 2013, presenting the total balance of assets and liabilities in the amount of PLN 539,725 thousand (five hundred thirty-nine million seven hundred twenty-five thousand zlotys),
- the profit and loss account for the financial year from 1 January 2013 to

31 December 2013, presenting a net profit of PLN 56,538 thousand (fifty-six million five hundred thirty-eight thousand zlotys),

- the statement of comprehensive income for the financial year from 1 January 2013 to 31 December 2013, presenting comprehensive income in the amount of PLN 56,896 thousand (fifty-six million eight hundred ninety-six thousand zlotys),
- the statement of changes in equity for the financial year from 1 January 2013 to 31 December 2013, presenting an increase in equity in the amount of PLN 34,332 thousand (thirty-four million three hundred thirty-two thousand zlotys),
- the cash flow statement for the financial year from 1 January 2013 to 31 December 2013, presenting an increase in net cash by PLN 42,718 thousand (forty-two million seven hundred eighteen thousand zlotys),
- and notes to financial statements,

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 statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and to the extent not covered by these standards – in accordance with the requirements of the Accounting Act and secondary legislation issued on the basis thereof, and on the basis of the correctly kept accounting books, give a true and fair view of the information material for the assessment of the asset and financial standing of the Company as at 31 December 2013 and its financial result for the financial year from 1 January 2013 to 31 December 2013 and are compliant with those provisions of law and of the Company's Articles of Association which influence the content of the financial statements.

Having analysed the individual elements of the Company's financial statements and the opinion and report of the certified auditor, the Supervisory Board does not raise objections as to the correctness and truthfulness of the financial statements of FABRYKI MEBLI "FORTE" S.A. for the financial year 2013.

At the same time, the Supervisory Board concludes, acting also as the Audit Committee, that the financial statements are compliant with the information contained in the report of the Management Board of FABRYKI MEBLI "FORTE" S.A. on the Company's activities in 2013.

III. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE FABRYKI MEBLI "FORTE" S.A. CAPITAL GROUP AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013.

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 activities of the FABRYKI MEBLI "FORTE" Spółka Akcyjna Capital Group in 2013 and the Consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the period from 1 January to 31 December 2013.

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 2013 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 2013, including:
 - notes to the financial statements, comprising a summary of accounting policies;
 - the consolidated statement of financial position prepared as at 31 December 2013, presenting the total balance of assets and liabilities in the amount of PLN 554,854 thousand (five hundred fifty-four million eight hundred fifty-four thousand zlotys),
 - the consolidated profit and loss account for the financial year from 1 January 2013 to 31 December 2013, presenting a net profit in the amount of PLN 57,920 thousand (fifty-seven million nine hundred twenty thousand zlotys),
 - the consolidated statement of comprehensive income for the financial year from 1 January 2013 to 31 December 2013, presenting comprehensive income in the amount of PLN 58,290 thousand (fifty-eight million two hundred ninety thousand zlotys),
 - the consolidated statement of changes in equity for the financial year from 1 January 2013 to 31 December 2013, presenting an increase in equity in the amount of PLN 35,724 thousand (thirty-five million seven hundred twenty-four thousand zlotys),
 - the consolidated cash flow statement for the financial year from 1 January 2013 to 31 December 2013, presenting an increase in net cash by PLN 46,109 thousand (forty-six million one hundred and nine thousand zlotys),

- and notes to financial statements,
2. the Management Board's report on the activities of the FABRYKI MEBLI "FORTE" S.A. Capital Group in the financial year 2013,

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 statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group give a true and fair view of the information material for the assessment of the asset and financial standing of the Capital Group as at 31 December 2013 and its financial result for the financial year from 1 January 2013 to 31 December 2013 and have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, and to the extent not covered by these standards – in accordance with the requirements of the Accounting Act and secondary legislation issued on the basis thereof, and are compliant with those provisions of law binding the Capital Group which influence the content of the consolidated financial statements.

Having analysed the Consolidated financial statements of the FABRYKI MEBLI "FORTE" S.A. Capital Group for the financial year 2013, and the report of the Management Board of the Capital Group for 2013 and the opinion and report of the certified auditor, the Supervisory Board, acting also as the Audit Committee, 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 2013, the Management Board's report for 2013, the Management Board's consolidated report on the activities of the Capital Group for 2013 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 activities 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 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 2013,

and concludes that their functioning limits the main risks in the Company's activities.

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 2013 should be considered satisfactory.

V. ASSESSMENT OF THE ACTIVITIES OF THE SUPERVISORY BOARD IN 2012

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 2013, 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.