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# Independent Auditor's Report

## To the General Shareholders' Meeting and Supervisory Board of Fabryki Mebli „FORTE” S.A.

### Report on the Audit of the Annual Separate Financial Statements

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#### Opinion

We have audited the accompanying annual separate financial statements of Fabryki Mebli „FORTE” S.A. (the “Entity”), which comprise:

- the separate statement of financial position (balance sheet) as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the separate statement of profit or loss;
- the separate statement of comprehensive income;
- the separate statement of changes in equity;
- the separate statement of cash flows;

and

- notes comprising a summary of significant accounting policies and other explanatory information

(the “separate financial statements”).

In our opinion, the accompanying separate financial statements of the Entity:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2020 and of its unconsolidated financial performance and its unconsolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
- have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the accounting act dated 29 September 1994 (the “Accounting Act”).

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Our audit opinion on the separate financial statements is consistent with our report to the Audit Committee dated 13 April 2021.



### Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”) by the resolution no. 3430/52a/2019 dated 21 March 2019 and the resolution no. 1107/15a/2020 dated 8 September 2020; and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements

- regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and
- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Ethics

We are independent of the Entity in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to our audit of the separate financial

statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of the Entity in accordance with requirements of the Act on statutory auditors and the EU Regulation.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these

matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matter:

#### Revenue recognition

Sales revenues in 2020: PLN 1,100,104 thousand (2019: PLN 1,127,425 thousand)

We refer to separate financial statements:

Point 8.2 “Significant accounting principles. Revenues”; Note 11.1 “Sales revenues”

<i>Key audit matter</i>	<i>Our response</i>
In the year ended 31 December 2020 the Entity generated sales revenues primarily from the sale of products, which constituted 98% of the total revenues. Sales revenues are one of the key indicators of the Entity’s performance and evaluation of	Our audit procedures included, among others: <ul style="list-style-type: none"> <li>— analysis of sales transactions, selected on basis of our risk assessment, recorded</li> </ul>

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its results, and an area of interest for analysts and investors, which increases significantly the risk of manipulation of the separate financial statements in this area. In particular, the variety of sales terms applied by the Entity in its contracts with clients increases the risk of inappropriate revenue recognition.

For the above reasons, we have concluded that there is a significant risk of misstatement associated with revenue recognition in the separate financial statements. Therefore, the above area required our increased attention in the audit and as such was determined by us to be a key audit matter.

before and after the year end to evaluate whether revenue was allocated to the appropriate period by critical assessment of:

- meeting the criteria for recognizing revenue, including, inter alia, the fulfilment of commitment to perform the obligations and the probability of collecting the consideration due to the Entity;
- the correctness of determination of the timing of the transfer of control and recognition of revenues in the appropriate period and amount, based on the analysis of the contracts with clients, sales invoices, dispatch notes and waybills.

— analysis of credit notes issued after the year end to evaluate the appropriateness of the revenue recognition in the audited year,

— analysis of sales transactions using Automated Audit Procedures to match sales invoices to related dispatch notes, and investigate unmatched transactions,

— analysis of journal entries recorded to revenue accounts, including in particular, entries recorded in correspondence with accounts, on which the Entity usually does not recognize revenue and reconciliation of postings, selected on basis of specified criteria, to the underlying documentation,

— obtaining confirmations for a sample of third-party sales invoices unpaid as at 31 December 2020 and for all significant related party balances unpaid as at 31 December 2020.

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## Responsibility of the Management Board and Supervisory Board of the Entity for the Separate Financial Statements

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board of the Entity is responsible for assessing the Entity's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity's financial reporting process.

## Auditor's Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

The scope of audit does not include assurance on the future viability of the Entity or on the efficiency or effectiveness with which the Management Board of the Entity has conducted or will conduct the affairs of the Entity.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;
- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the separate financial statements to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the



separate financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Entity, we determine those matters that were of most significance in the audit of the separate financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the separate financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Information

The other information comprise:

- the letter of the President of the Management Board;
- the selected financial data;
- the report on activities of the Group for the year ended 31 December 2020 (the "Report on activities"), including the corporate governance statement which is a separate part of the Report on activities;
- the statement on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act;
- the statement of the Management Board regarding the preparation of the separate

financial statements and Report on activities;

- the Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board's assessment of the separate financial statements and the Report on activities

(together the "Other information").

## Responsibility of the Management Board and Supervisory Board

The Management Board of the Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Entity are required to

ensure that the Report on activities, including the corporate governance statement and the report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

## Auditor's Responsibility

Our opinion on the separate financial statements does not cover the Other information.

In connection with our audit of the separate financial statements, our responsibility was to read the Other information and, in doing so,

consider whether the Other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is



a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the separate financial statements.

Moreover, in accordance with the requirements of the Act on statutory auditors our

#### *Opinion on the Report on Activities*

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying Report on activities, in all material respects:

#### *Opinion on the Statement on Corporate Governance*

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the “decree”).

#### *Information about the Statement on Non-financial Information*

In accordance with the requirements of the Act on statutory auditors, we report that the Entity has prepared a separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act.

#### *Statement on Other Information*

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit of the separate financial statements, we

responsibility was to report whether the Entity included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements and to inform whether the Entity prepared a separate report on non-financial information.

- has been prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the separate financial statements.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

have not identified material misstatements in the Report on activities and the Other information.



## Report on Other Legal and Regulatory Requirements

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### Statement on Services Other than Audit of the Financial Statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second

subparagraph of the EU Regulation and art. 136 of the act on statutory auditors.

### Appointment of the Audit Firm

We have been appointed for the first time to audit the annual separate financial statements of the Entity by resolution of the Supervisory Board dated 30 May 2018. Our period of total

uninterrupted engagement is 3 years, covering the periods ended 31 December 2018 to 31 December 2020.

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On behalf of audit firm

**KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.**

Registration No. 3546

*Signed on the Polish original*

Marta Zemka

Key Statutory Auditor  
Registration No. 10427  
*Limited Partner, Proxy*

Warsaw, 15 April 2021