

**Report of the Supervisory Board  
ACTION S.A.**

**on the results of the assessment of the Management Report, the consolidated financial statements, the Management Board's motion and information regarding the allocation of profit and the evaluation of the standing of the ACTION Capital Group for financial year 2013**

The Supervisory Board of ACTION S.A. with its registered office in Warsaw performed:

- the assessment of the Management Report on the operation of the ACTION Capital Group for financial year 2013, the consolidated financial statements of the ACTION Capital Group for financial year 2013 to the extent of their correspondence to the books and documents, as well as to the facts, and the Management Board's motion and information regarding the allocation of profit made by ACTION S.A. in financial year 2013;
- the concise assessment of the position of ACTION Capital Group and hereby submits the report from that assessment.

**I. MANAGEMENT REPORT ON THE GROUP'S OPERATION**

In its report on the operation of the ACTION Capital Group for financial year 2013, the Management Board indicated:

Basic financials and the description of the development perspectives of ACTION Capital Group in the coming financial year, providing the following information:

Sales income in 2013: PLN 4,749,183 thousand

Operating profit in 2013: PLN 82,051 thousand

Net profit in 2013: PLN 61,608 thousand

The Management Board pointed out that in financial year 2013 the Capital Group recorded an increase of sales income by 35.10% compared to 2012, i.e. an increase by PLN 1,233,994 thousand from PLN 3,515,189 thousand in 2012. In 2013 the Group generated an operating profit of PLN 82,051 thousand and a net profit attributable to shareholders of the parent company of PLN 61,608 thousand. Net profit margin reached 1.30%.

The Management Board underlined that the above figures indicate a continuation of the growing sales trend in 2013, occurring during a noticeable decline in the national economic activity plus the continuing unstable economic and budget situation in most Eurozone countries.

The Company's Management Board, on the basis of the above indicators of the Capital Group in 2013 also underlined that the preliminary estimates for development prospects for 2014 suggest that sales will continue to grow and net return ratios will remain stable. The following internal actions of ACTION S.A. and the Group are the major reasons confirming this thesis:

- a) extension of the sales offer resulting from entering into new distribution agreements, including, in particular, the agreements with Sony, HTC, Fujitsu, HGST, Lenovo and Huawei,
- b) foreign expansion - the inclusion of Devil GmbH, a German company, to the Group's structure,
- b) maintaining a wide base of customers representing all sales channels,
- c) planned development of activity in the area of high-volume recipients,
- d) a further increase in exports and intra-Community supplies,
- e) increase in the high performance of the warehouse by investments in increasing storage area and logistics processes,
- f) maintaining strict current monitoring of costs in the Company and in the Group,
- g) current monitoring and active management of working capital,
- h) further results optimisation in the ACTION S.A. Group entities through the improved use of their competences.

According to the Management Board, the most significant external factors will include:

- a) economic situation in Poland and worldwide,
- b) budget situation in Poland and in Europe, especially activities aimed at reducing the public finance deficit,
- c) macroeconomic and political situation in the world,
- d) maintaining high demand for mobile IT devices.

In its report on the operation of the Capital Group, the Management Board also presented:

- material risk factors related to the Company's operations,
- rules of corporate governance,
- information on basic commodity lines offered by the Group and their share in the total sales,
- information on downstream markets,
- information on those concluded agreements that are significant for the Company's operations,
- information on equity relationship, major equity investments and characteristics of the Group's development directions,
- description of major transactions with related parties other than those concluded on an arm's length basis,
- information on contracted credits, loan agreements and guarantees and securities given for the Company,
- information on granted loans, guarantees and securities,
- description of the use of the proceeds from the issue of shares,
- information concerning the explanation of the differences between the forecasts and the values declared in the annual report,
- evaluation of the financial resources management and a description of a structure of assets and equity and liabilities in the consolidated statement of financial position, including the following data:

<b>Liquidity ratios</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Current ratio (current assets / current liabilities)	1.19	1.20
Quick ratio (liquid current assets / current liabilities)	0.75	0.70
Super quick ratio (short-term investments / current liabilities)	4.47%	1.21%

At the same time the Management Board underlined that the liquidity ratios presented by the Group are typical for the best distribution-oriented companies operating in the trade sector. It was also emphasised that the parameters of liquidity ratios in 2013 confirm the stable liquidity position. It should be noted that the quick liquidity value increased and the super quick liquidity value increased significantly.

<b>Level and structure of working capital in thousands of PLN</b>	<b>Increase</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
1. Current assets	31.79%	1,005,706	763,109
2. Cash and securities	391.73%	37,735	7,674
3. Adjusted current assets (1-2)	28.13%	967,971	755,435
4. Current liabilities	32.73%	844,722	636,428
5. Short-term loans	-27.84%	76,851	106,504
6. Adjusted current liabilities (4-5)	44.90%	767,871	529,924
7. Working capital (1-4)	27.08%	160,984	126,681
8. Demand for current assets (3-6)	-11.27%	200,100	225,511
9. Net cash (7-8)	60.42%	-39,116	-98,830
10. Equity share in financing the current assets (7 : 1) in %	-0.59%	16%	17%

The Management Board underlined that the Group completely controls financial aspects of the business. The growth rate of current assets adjusted for cash was much lower than increased sales in 2013. The Group finances its current assets with trade obligations for the most part, constituting more than 75.6% of the share. The growth rate of current liabilities was higher than the growth rate of current assets and significantly greater than current assets excluding cash.

Bank loans continued to decrease and in relation to the end of 2012, they decreased by almost 28% and accounted for only 7.6% of financing current assets; their value after cash adjustment amounted to 3.9%.

The Management Board pointed to the fact that the figures presented above confirm the very stable financial position of the Company and its high potential for development as well as the effectiveness of the Management Board's actions in the scope of further improvement of the Company's financial situation.

In the report on operation the Management Board presented the Group's debt ratios in financial year 2013, which were as follows:

<b>Debt ratios</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Overall debt ratio	73.87%	71.19%
Equity to assets ratio	26.13%	28.81%

The percentage structure of the consolidated balance sheet as at 31 December 2013 and 31 December 2012 is as follows:

	31.12.2013		31.12.2012	
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>148,534</b>	<b>12.87%</b>	<b>137,929</b>	<b>15.31%</b>
Property, plant and equipment	124,532	10.79%	112,044	12.43%
Goodwill	13,994	1.21%	13,994	1.55%
Other intangible assets	2,925	0.25%	2,019	0.22%
Investment property	3,545	0.31%	3,545	0.39%
Financial assets	0	0.00%	2,930	0.33%
Share in associates measured under the equity method	2,612	0.23%	2,687	0.30%
Deferred income tax assets	5	0.00%	67	0.01%
Trade and other receivables	921	0.08%	643	0.07%
<b>Current assets</b>	<b>1,005,706</b>	<b>87.13%</b>	<b>763,109</b>	<b>84.69%</b>
Inventories	369,599	32.02%	315,808	35.05%
Trade and other receivables	593,823	51.45%	439,345	48.76%
Current income tax receivables	11	0.00%	87	0.01%
Financial derivatives	0	0.00%	95	0.01%
Other financial assets	4,538	0.39%	100	0.01%
Cash and cash equivalents	37,735	3.27%	7,674	0.85%
<b>Total assets</b>	<b>1,154,240</b>	<b>100.00%</b>	<b>901,038</b>	<b>100.00%</b>
<b>EQUITY</b>				
<b>Equity attributed to Company's Shareholders</b>	<b>299,153</b>	<b>25.92%</b>	<b>259,586</b>	<b>28.81%</b>
Share capital	1,661	0.14%	1,641	0.18%
Share premium	58,112	5.03%	55,744	6.19%
Other reserve capitals	30,000	2.60%	30,000	3.33%
Retained earnings	208,267	18.04%	171,274	19.01%
Currency translation differences (foreign operation)	-117	-0.01%	0	0.00%
Other components of equity	1,230	0.11%	927	0.10%
<b>Minority interest / Controlling interest</b>	<b>2,458</b>	<b>0.21%</b>	<b>0</b>	<b>0.00%</b>
<b>Total equity</b>	<b>301,611</b>	<b>26.13%</b>	<b>259,586</b>	<b>28.81%</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>	<b>7,907</b>	<b>0.69%</b>	<b>5,024</b>	<b>0.56%</b>
Loans, borrowings and other financial liabilities	3,715	0.32%	142	0.02%
Trade and other liabilities	1,020	0.09%	0	0.00%
Deferred income tax provision	3,172	0.27%	4,882	0.54%
<b>Current liabilities</b>	<b>844,722</b>	<b>73.18%</b>	<b>636,428</b>	<b>70.63%</b>
Trade and other liabilities	760,393	65.88%	522,247	57.96%
Loans, borrowings and other financial liabilities	76,851	6.66%	106,504	11.82%
Current income tax liabilities	6,568	0.57%	6,435	0.71%
Employee benefit liabilities	869	0.08%	559	0.06%
Derivative financial instruments	41	0.00%	0	0.00%

Provisions for other liabilities and other encumbrances	0	0.00%	683	0.08%
<b>Total liabilities</b>	<b>852,629</b>	<b>73.87%</b>	<b>641,452</b>	<b>71.19%</b>
<b>Total liabilities</b>	<b>1,154,240</b>	<b>100.00%</b>	<b>901,038</b>	<b>100.00%</b>

#### **Description of assets:**

The majority of the Group's assets are current assets, whose share as at the end of 2013 formed 87% of the total assets, including inventories accounting for 32% and receivables for 51.5% and cash for 3.3% of total assets respectively. At the same time, compared to the previous year, a significant improvement in the structure of asset liquidity is noticeable, i.e. increasing share of receivables and especially cash in assets.

The remaining assets, i.e. non-current assets worth 13% of the balance-sheet total, were largely dominated by property, plant and equipment.

In the coming year an increase in the value of fixed assets with the need to make investments necessary for the implementation of development plans will be expected.

#### **Description of liabilities:**

As in the case of past years, the share of the equity in all funding sources was at a high level for commercial companies and amounted to 26% at the end of 2013. This figure allows us to state that the Group continues to maintain a secure level of debt and high creditworthiness.

The Group has consistently based its financing structure on short-term liabilities, in particular trade liabilities whose share as at the end of 2013 was 66% of total liabilities and equity, which represented an increase in the share of this source of funding at the end of 2012 of 8 percentage points. The share of interest debt amounted to only 6.7%, which represented a decrease compared to the previous year when interest debt financing amounted to 11.8%. These data indicate a large financial independence and increasing loan opportunities for ACTION SA Capital Group.

In the opinion of the Management Board, the figures above indicate a very safe and stable position of the Group, both in terms of assets involved in its business activity and sources of financing necessary to retain its assets, as well as the possibilities of implementing the ACTION Capital Group's investment plans. The Management Board underlined that the observed changes indicate the ACTION S.A. Capital Group pays attention to the cost effectiveness of funding sources involved in the completion of plans.

Moreover, the Management Board presented in its report:

- major events influencing the result of operations,
- a description of the structure of main capital investments
- a description of the Group's organisation naming the entities subject to consolidation,
- a description of the Capital Group's development policy,
- a description of significant off-balance sheet items.

The Appendix to the Management Report includes the declaration on the rules of corporate governance, covering the elements as indicated in §92 (3) and (4) of the Regulation of the Minister of Finance dated 19 February 2009 (Journal of Laws of 2014, item 133) on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as being equivalent.

**The Supervisory Board declares** that the foregoing data and factual circumstances included in the Management Report for the ACTION Capital Group and audited by the Supervisory Board correspond to facts, are compliant with the Company's documents and are confirmed by the opinion of an independent chartered auditor, BDO Sp. z o.o.

## **II. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The consolidated financial statements of the ACTION S.A. Capital Group was prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, issued and binding as at the balance sheet date and in matters not regulated by these Standards, in accordance with the Accounting Act dated 29 September 1994.

The Annual Consolidated Financial Statements of the ACTION S.A. Group for the period ending 31 December 2013 comprise: Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Changes in Consolidated Equity, Consolidated Cash Flow Statement and Notes containing a description of key accounting principles and selected explanatory notes.

During the period covered by the Consolidated Financial Statements, the companies from the Group, excluding ACTION S.A. and DEVIL GmbH, kept their account books in line with the accounting policy (principles) determined by the Accounting Act dated 29 September 1994 and regulations issued on its basis. The Consolidated Financial Statements comprise adjustments not included in the books of the Group's units, entered in order to bring the financial statements of such units in line with the IFRS. Since 1 January 2010 ACTION S.A. has been keeping its account books in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the EU, issued and binding as of the balance sheet date, while for matters not regulated by these Standards in accordance with the Accounting Act dated 29 September 1994. DEVIL GmbH keeps accounting books in accordance with the requirements of the German balance sheet law.

According to the data included in the Capital Group's consolidated financial statements for the period from 1.01.2013 to 31.12.2013:

- the consolidated statement of financial position as at 31 December 2013, showing the total balance of assets and equity and liabilities of PLN 1,154,240,
- the consolidated statement of comprehensive income for the period from 1 January 2013 to 31 December 2013 shows the net income of PLN 60,734 and the comprehensive income of PLN 60,862;
- the statement of changes in consolidated equity for the period from 1 January 2013 to 31 December 2013 showing an increase in equity by PLN 42,025,
- the consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013 showing an increase in net cash by PLN 30,060 thousand.

The **Supervisory Board declares** that the reported values are compliant with the Company's documents and facts and are confirmed by the opinion of an independent chartered auditor, BDO Sp. z o.o.

### III. MANAGEMENT BOARD'S CONCLUSIONS REGARDING THE PROFIT

With reference to the method of allocation of profit for financial year 2013 of PLN 62,767,647.73, the Company's Management Board put forward a motion to allocate the profit in the following way:

1. PLN 16,610,000, i.e. PLN 1 per share, for the payment of the dividend to the Company's Shareholders,
2. PLN 46,157,647.73 for supplementary capital,
3. In the case where D series shares of the Company issued under Resolution No. 5 of the Extraordinary General Meeting of Shareholders of ACTION S.A. of 16 April 2014 participate in the dividend for the financial year 2013, then pursuant to the provisions of § 1 (3) (1) thereof the amount of the dividend per each D series share shall amount to PLN 1 (in words: one zloty). In the case specified in the previous sentence the total amount of the dividend and the amount earmarked for the supplementary capital shall be modified as appropriate, depending on the number of D series shares participating in the dividend for financial year 2013.

In relation to the Group's subsidiaries, the Management Board informed that the companies which made a profit decided to allocate it to the capital reserve or to the coverage of accumulated losses. The companies which incurred a loss decided to cover it with profits from future periods or allocating funds from the capital reserve for this purpose.

The **Supervisory Board positively assesses** the foregoing Management Board's motion and declares that it accedes to the acceptance of the motion. In justifying the foregoing, it should be pointed out that the profit distribution method as suggested by the Management Board takes into account the current situation of the Company and the Capital Group, information provided to the Investors and the Company's intended investments.

### IV. CONCISE ASSESSMENT OF THE POSITION OF THE ACTION CAPITAL GROUP

As at 31 December 2013, the Capital Group comprised the following entities:

**Parent:**

ACTION S.A.

**Subsidiaries and associates**

SFK Sp. z o.o. with its registered office in Kraków – subsidiary (100%)

ACTINA Sp. z o.o. with its registered office in Warsaw – subsidiary (100%)

SFERIS Sp. z o.o. with its registered office in Warsaw – indirect subsidiary (99.89%) <sup>1</sup>

GRAM.PL Sp. z o.o. with its registered office in Warsaw – subsidiary (100%) <sup>2</sup>

ACTION ENERGY Sp. z o.o. with its registered office in Kraków – associate (24%)<sup>3</sup>  
MOBISTYLE Sp. z o.o. (previous name ACTION INVESTMENTS Sp. z o.o.) with its registered office in Zamienie - subsidiary (100%)<sup>4</sup>  
ACTION CENTRUM EDUKACYJNE Sp. z o.o. with its registered office in Warsaw - associate (25.94%)<sup>5</sup>  
SYSTEMS Sp. z o.o. with its registered office in Warsaw – indirect associate (25.94%)<sup>6</sup>  
ACTIVEBRAND Sp. z o.o. with its registered office in Zamienie - subsidiary (100%)<sup>7</sup>  
Devil GmbH with its registered office in Braunschweig – subsidiary (66.66%)<sup>8</sup>  
RETAILWORLD Sp. z o.o. with its registered office in Stara Iwiczna - indirect subsidiary (99.89%)<sup>9</sup>

<sup>1</sup> SFERIS Sp. z o.o. with its registered office in Warsaw was consolidated on 5 January 2007.

<sup>2</sup> GRAM.PL Sp. z o.o. with its registered office in Warsaw was consolidated on 28 May 2009, and on 18 December 2009 the interest was raised to 80%. On 24 May 2010 the interest was raised to 100% by way of a share purchase agreement.

<sup>3</sup> ACTION ENERGY Sp. z o.o. with its registered office in Kraków was founded on 3 September 2009.

<sup>4</sup> MOBISTYLE Sp. z o.o. with its registered office in Zamienie was founded on 12 December 2011. On 14 February 2013 a change of name was entered into the National Court Register – previous name: ACTION INVESTMENTS Sp. z o.o.

<sup>5</sup> ACTION CENTRUM EDUKACYJNE Sp. z o.o. with its registered office in Warsaw was consolidated on 1 October 2012.

<sup>6</sup> SYSTEMS Sp. z o.o. with its registered office in Warsaw was consolidated on 1 October 2012.

<sup>7</sup> ACTIVEBRAND Sp. z o.o. with its registered office in Zamienie was founded on 3 September 2012.

<sup>8</sup> DEVIL GmbH with its registered office in Braunschweig (Germany) was consolidated on 8 July 2013.

<sup>9</sup> RETAILWORLD Sp. z o.o. with its registered office in Stara Iwiczna was consolidated on 18 November 2010.

#### **Changes in the Group's composition during the reporting period:**

On 18 July 2013 ACTION S.A. acquired 1,600,000 shares in the increased (from EUR 800,000 to EUR 2,400,000) share capital of Devil GmbH (Germany) for a cash contribution of EUR 1,600,000. As a result of the afore-mentioned increase in the share capital, ACTION S.A. obtained an interest representing 2/3 of the share capital of Devil GmbH and giving the same proportion of votes at the meeting of shareholders.

RETAILWORLD Sp. z o.o. - a subsidiary of SFERIS Sp. z o.o. founded on 18 November 2013, by SFERIS Sp. z o.o. which owns 100% of the company shares.

#### **Third party shares in subsidiaries in the period covered by the report:**

SFERIS Sp. z o.o. - 0.11%, including: Piotr Bieliński 0.055%, Anna Bielińska 0.055%; DEVIL GmbH (Germany) - 33.33%, including: NEW DEVIL HOLDING GmbH entered into the Commercial Register kept by the District Court of Charlottenburg (Berlin) under number HRB 150462 B.

ACTINA Sp. z o.o. deals in the wholesale of computer hardware. ACTION ENERGY Sp. z o.o., founded in 2009, focuses its activity on the renewable energy market. The aim of the company is to create a technological sales centre addressing installers of devices using renewable energy sources. The primary business focus of SFERIS Sp. z o.o. is the retail sale of computer hardware. The activities of GRAM.PL Sp. z o.o. (computer games) involve online retail sales. SFK Sp. z o.o. provides advertising services. MOBISTYLE Sp. z o.o. began its business activity of selling computer hardware and providing advertising services based on its own internet portal. The primary business focus of ACTION CENTRUM EDUKACYJNE Sp. z o.o. and SYSTEMS Sp. z o.o. is training and IT services, as well as rental of computer hardware. ACTIVEBRAND Sp. z o.o. commences activities in the marketing services sector. DEVIL GmbH conducts distribution activities in the wholesale of IT products and household appliances. RETAILWORLD Sp. z o.o. commenced operations in the wholesale of IT equipment and IT accessories to foreign customers.

The financial year 2013 was a very good period in the Capital Group's business, despite the lingering and even aggravating consequences of the financial crisis as well as the effect of all related turbulences in economic and financial markets. A clearly positive assessment of the period discussed here is based in particular on the basic financial results of the Company and the Group, including the sales, profit and profitability figures. The Capital Group's stable and safe situation is also confirmed by the clear reduction of the bank loan share among the current asset funding sources.

The Group continued to strengthen the position it had already achieved in the IT sector market. It also continued its Internet sales activities via subsidiaries: GRAM.PL Sp. z o.o. and SFERIS Sp. z o.o.

As capital investment the Company acquired 1,600,000 shares in the increased (from EUR 800,000 to EUR 2,400,000) share capital of Devil GmbH (Germany) for a cash contribution of EUR 1,600,000. As a result of the afore-mentioned increase in the share capital, ACTION S.A. obtained an interest representing 2/3 of the share capital of Devil GmbH and giving the same proportion of votes at the meeting of shareholders.

In 2013 the Company also invested in the expansion of the office block in Zamienie.

The Group's sales policy (share of the basic commodity lines in the sales as well as the downstream and upstream markets) indicates a considerable diversity of the product range, buyers and suppliers, which influences positively the Company's and the Group's operation and prevents a possible overdependence on the suppliers or buyers. The Group develops its downstream markets through its subsidiaries, branches and regional sales representatives.

As regards the evaluation of the internal control system and the risk management system at the Capital Group, we should emphasize that in subsidiaries the internal control standards (as described in the Supervisory Board's report on the Company) are mainly implemented by way of continuous business reporting to the Company and sharing Management Board functions in the Company and subsidiaries by the same persons. In this manner, the Company supervises the operations of subsidiaries on an on-going basis.

The Supervisory Board takes the position that the data included in the statements covered by the assessment and this report is sufficient to consider that the Group's current standing as very good.

Warsaw, 25 April 2014

Iwona Bocianowska .....

Grażyna Łyko .....

Karol Orzechowski .....

Piotr Kosmala .....

Marek Jakubowski .....