

**Report of the Supervisory Board of  
ACTION S.A.  
on the results of the assessment of the Management Report, the Company's financial statements, the  
Management Board's motion regarding the distribution of profit and the evaluation of the Company's  
standing for FY 2014.**

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

- an assessment of the Management Report for the financial year 2014 and the Company's financial statements for the financial year 2014 as regards their correspondence to the books and documents, as well as to the facts, and the Management Board's motion regarding the distribution of the Company's profit for FY 2014, pursuant to Article 382 § 3 of the Code of Commercial Companies;
- a concise assessment of the Company's standing, and hereby submits the report from that assessment.

### **I. MANAGEMENT BOARD REPORT**

In its Management Report for FY 2014, the Management Board included:

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

Sales income in 2014: PLN 4,852,609 thousand

Operating profit in 2014: PLN 92,215 thousand

Net profit in 2014: PLN 69,503 thousand

The Management Board pointed out that in FY 2014 the Company recorded an increase in each of the above-mentioned items, of which: sales income increased compared to 2013 by 4.88%, operating profit by 10.58% and net profit by 10.73%.

The above data confirms a persistent upward trend observed over the years with respect to sales, operating profit and net profit despite low confidence on the retail market and information about the bankruptcy of large market players.

While indicating the above, the Management Board of the Company also underlined that the consistently pursued strategy of development and the financial results achieved by the Company in 2014 allow the expectation that stable growth at all levels of profitability and sales will also be maintained in the subsequent year. The following internal actions of the Company are the major reasons confirming this thesis:

- a) closer cooperation and the realisation of benefits from working with leading suppliers such as Samsung (strategic partnership agreement), Lenovo, HP and many others;
- b) further growth of activity on e-commerce markets;
- c) further expansion of what we offer to include new business areas such as toys (conclusion of a distribution agreement with Hasbro);
- d) further improvement of activities in the handling of tenders and Enterprise in connection with the release of subsequent tranches of EU funding;
- e) further expansion into foreign markets – making better use of the subsidiaries operating on the German market and further development of exports;
- f) using the advantages stemming from the expansion of the logistics centre in Zamienie;
- g) maintaining a wide base of customers representing all sales channels;
- h) maintaining strict current monitoring of costs in the Company and in the Capital Group;
- i) current monitoring and active management of working capital;
- j) further results optimisation in the ACTION Capital Group entities through the improved use of their competences.

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

- a) economic and political situation in Poland and worldwide;
- b) implementation of the planned changes in tax regulations, in particular the changes related to the VAT reverse charge mechanism;
- c) changes in the current and long-term monetary policy in Poland and worldwide;
- d) maintaining a high demand for the goods offered by the Company.

In its Report, the Management Board also presented:

- material risk factors related to the Company's operations;
- risk factors related to the Company's business environment;
- rules of corporate governance;
- information on significant pending proceedings in which the Company participates;
- information on basic groups of goods offered by the Company and their share in total sales;
- information on downstream markets;
- information on the concluded agreements that are significant for the Company's operations;
- information on capital relations and the specification of major capital investments;
- 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 issue proceeds;
- information on the acquisition of equity 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, including the following data:

<b>Liquidity ratios</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
Current ratio (current assets / current liabilities)	1.30	1.18
Quick ratio (liquid current assets / current liabilities)	0.77	0.77
Quick ratio (cash / current liabilities)	0.11	0.04

The Management Board pointed out that the parameters of liquidity ratios presented by the Company continued to improve significantly at the level of current ratio and quick ratio in 2014 and once again reached very safe levels. The Management Board underlined the fact that the issue of bonds had a major impact on such ratio values.

<b>Level and structure of working capital in PLN '000</b>	<b>Exchange</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
1. Current assets	25.84%	1,176,467	934,892
2. Cash and securities	217.65%	103,003	32,427
3. Adjusted current assets (1-2)	18.95%	1,073,464	902,465
4. Current liabilities	14.19%	902,254	790,107
5. Short-term loans	140.78%	158,968	66,021
6. Adjusted current liabilities (4-5)	2.65%	743,286	724,086
7. Working capital (1-4)	89.39%	274,213	144,785
8. Demand for operating capital (3-6)	85.10%	330,178	178,379
9. Net cash (7-8)	66.59%	-55,965	-33,594
10. Equity share in the financing the current assets (7 : 1) in %	8 pp	23%	15%

The Management Board underlined the fact that end of 2014 saw a temporary growth of current assets, whose value increased by 25.84% compared to the value recorded at the end of 2013. The Management Board noted that 3 factors had a major impact on such a significant growth of current assets:

- 1) purchase of a large batch of LFD monitors under the strategic partnership with Samsung Electronics Polska, financed by the supplier;
- 2) purchase of large batches of goods necessary for the performance of tenders fully invoiced in January and February 2015;
- 3) significant increase in cash.

These factors were the result of the Company implementing projects with an increased level of profitability. The Company took up these challenges due to the low level of risk and its high capacity to make payments.

The adjusted current receivables and liabilities remained at a level similar to that of the previous year and fully corresponded to the sales dynamics observed in 2014. The actions undertaken by the Company do not lower its financial standing and allow us to believe that the results of these actions should bring about above-average profitability.

In the report on operation the Management Board presented the debt ratios, which were as follows:

Debt ratios	31/12/2014	31/12/2013
Total debt ratio	74.65%	72.23%
Equity to assets	25.35%	27.77%

The Management Board explained that the analysis of the debt structure confirms a very high share of own funds in the financing of assets. The observed growth of the total debt was caused by the Company issuing bonds and incurring an investment credit for the expansion of the logistics centre in Zamienie.

Moreover, the Management Board presented in its report:

- assessment of the possibility of fulfilling investment plans;
- assessment of factors and unusual events influencing the business result;
- description of the external and internal factors significant for the Company's growth;
- changes in the basic principles of the Company management;
- agreements concluded between the Company and its managers;
- information on the value of remunerations, awards or benefits for the Company's managerial or supervisory staff;
- information on the nominal value and the total number of the Company's shares;
- information on agreements which may influence the current shareholding structure;
- information on the system for controlling employee share programmes;
- information concerning the entity authorised to audit financial statements;
- development of the forecast for the Company and its financial standing.

The Appendix to the Management Report on operation includes the declaration on the rules of corporate governance, covering the elements indicated in §91 (5) (4) of the Regulation of the Minister of Finance dated 19 February 2009 (consolidated text Journal of Laws of 2014 item 133) on current and periodic information to be published by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state and § 29 of the Regulations of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) and Resolution No. 12/1170/2007 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. dated 4 July 2007 on passing the "Best Practices of WSE Listed Companies" (as amended).

The **Supervisory Board** declares that the foregoing data and factual circumstances included in the Management Report and audited by the Supervisory Board are true, comply with the Company's documents and are confirmed by the opinion of an independent statutory auditor, BDO Sp. z o.o.

## II. FINANCIAL STATEMENTS

The Company prepared its financial statements for the financial year 2014 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 of 29 September 1994.

The Annual Financial Statements of ACTION S.A. for the period ending 31 December 2014 comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes containing the description of key accounting principles and selected explanatory notes.

The Company has kept its accounting books in accordance with IFRS since 1.01.2010.

According to the data included in the Company's financial statements for the period from 1.01.2014 to 31.12.2014:

- statement of comprehensive income for the period from 1.01.2014 to 31.12.2014, with net profit amounting to PLN 69,503 thousand and comprehensive income amounting to PLN 64,716 thousand;
- statement of financial position as of 31.12.2014, with total assets, equity and liabilities of PLN 1,398,131 thousand;
- statement of changes in equity for the period from 1.01.2014 to 31.12.2014, showing PLN 354,469 thousand at the end of the period, which constitutes an increase in equity by PLN 48,106 thousand;
- cash flow statement for the period from 1.01.2014 to 31.12.2014, showing PLN 103,003 thousand at the end of the period, which constitutes an increase in net cash by PLN 70,576 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 PROFIT

The Company's Management Board requested that the profit for FY 2014 amounting to PLN 69,502,888.18 be allocated as follows:

1. PLN 16,610,000, i.e. PLN 1 per share, shall be allocated to the payment of the dividend for the Company's Shareholders;
2. PLN 52,892,888.18 shall be allocated to the supplementary capital.

The **Supervisory Board positively assesses** the foregoing Management Board's motion and declares that it accedes to the acceptance of the motion. In justification of 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, information provided to the Investors and the requirements connected with the investments carried out by the Company.

### IV. CONCISE ASSESSMENT OF THE COMPANY'S STANDING

**The financial year 2014 was another very successful period in the Company's activity despite weakened retail market sentiment and the bankruptcy of large market participants, as indicated by the Management Board. The clearly positive assessment of the period in question is based, in particular, on the basic financial results of the Company, including the sales and profit figures. The very safe levels of liquidity ratios are noteworthy.**

In 2014, the Company continued to consolidate its position on the IT market. The Company's sales policy (share of the basic commodity lines in the sales as well as the downstream and upstream markets) indicates the considerable diversity of the product range, buyers and suppliers, which influences positively the Company's operation and prevents a possible overdependence on the suppliers or buyers. In 2014 the Company implemented important distribution agreements, sales contracts with the largest representatives of the telecommunications sector and in other sales channels. The Company also develops its downstream markets through its subsidiaries, the branch in Kraków and regional sales representatives. It also continued its Internet sales activities via its subsidiaries: GRAM.PL Sp. z o.o. and SFERIS Sp. z o.o.

In 2014, the Company, as part of its capital investments:

- via the subsidiary GRAM PL sp o.o., acquired 51% of the shares (giving the same number of votes at the general meeting of shareholders) in LAPADO Handelsgesellschaft GmbH (Germany);
- acquired 33.33% of the shares (giving the same number of votes at the general meeting of shareholders) in

ACTION EUROPE GmbH (former name DEVIL GmbH) (Germany) - thus gaining 100% of shares (giving the same number of votes at the general meeting of shareholders);

- acquired 3,900 out of the 9,900 newly created non-preference shares in the increased capital of ACTION GAMES LAB Sp. z o.o. Because part of the newly created shares are preferred shares, the Company share in equity capital reduced to 40% (25% of votes at the general meeting of the company);

- acquired 100% of shares in the newly created company ACTIONMED Sp. z o.o.

In 2014 the Company also carried out an investment project consisting in the construction of new high-storage warehouse buildings in Zamienie along with the installation of the warehouse systems constituting their fixtures.

With respect to the internal audit system and the risk management system, the Company's rules of the foreign exchange risk management policy should be noted, which, in particular, provide for:

1. continuous monitoring of foreign exchange items and constant adaptation of hedge levels;

2. split of controlling and supervising competences between three independent departments within the Company.

Furthermore, there are hedge accounting principles in place as an element aimed at mitigating the impact of variations of the foreign exchange rates on the Company's results by reflecting the effects of differences between liability payment dates and goods outflows.

Moreover, the financial statements prepared by the Management Board are audited and evaluated by a statutory auditor (appointed by the Supervisory Board) and the Supervisory Board.

In accordance with the Company's applicable regulations, at least 2 Members of the Supervisory Board meet the independence criteria. Their participation is also significant during internal control and risk management related to the process of drawing up financial statements. In particular, their position is significant when appointing the entity auditing financial statements as well as during other important activities involving the members of the Management Board and related parties (see § 15 section 2 item 6, 11-12, 13-14 of the Statute).

The departments which operate within the organisational structure of the Company have their budgets determined by the Management Board and the performance of the budget is monitored on a monthly basis. The Supervisory Board has access to this data.

ISO systems have been implemented in the Company: 9001:2008 Quality management system, ISO 14001:2004 Environmental management system, ISO 27001:2005 Information security management system, ISO 28000:2007 Supply chain security management system and AEO status granted to credible and solvent businesses whose organisation, infrastructure, IT system security measures and security measures for places where goods are stored or security measures for means of transport ensure the security of such places and goods, and protect them against unauthorised access.

§ 15 of the Company's Statute regulates the responsibilities of the audit committee (within the meaning of the Act of 7 May 2009 on statutory auditors, their professional association, entities authorised to audit financial statements and on public supervision – Journal of Laws No. 77, item 649 as amended), bestowed on the Company's Supervisory Board (as long as it is composed of not more than 5 members). There are no other committees within the Supervisory Board.

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

Warsaw, 14 May 2015