

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

**on results of the assessment of the Management Report, the consolidated financial statements, the
Management Board's motion and information regarding the distribution of profit and the assessment
of the standing of the ACTION Capital Group for financial year 2015**

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

- assessed the Management Board's report on the operations of the ACTION S.A. Capital Group for financial year 2015, the consolidated financial statements of the ACTION S.A. Capital Group for financial year 2015 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 distribution of profit made by ACTION S.A. in financial year 2015;
- concisely assessed the standing of the ACTION S.A. Capital Group, and hereby it submits the report on that assessment.

I. MANAGEMENT REPORT ON THE GROUP'S OPERATIONS

In its report on the operations of the ACTION S.A. Capital Group in financial year 2015, the Management Board indicated:

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

Sales revenues in 2015: PLN 5,312,134 thousand

Operating profit in 2015: PLN 35,016 thousand

Net profit in 2015: PLN 23,232 thousand

However, the Management Board pointed out that in 2015 sales revenues of the ACTION S.A. Capital Group amounted to PLN 5,312,134 thousand, the operating profit totalled PLN 35,016 thousand and the net profit attributable to the Company's Shareholders was PLN 23,232 thousand. Compared to the results achieved last year, the values recorded by the Group decreased by 2.44% with respect to sales revenues, 62.08% with respect to operating profit and 66.77% with respect to net profit.

The Management Board underlined that those figures were the consequences of many factors, among them, changes resulting from a more limited range of technologically advanced devices than in previous years, the introduction of new tax regulations and the growing consolidation of suppliers and retail networks. All those changes had a material impact on the demand recorded in 2015. Additionally, the relatively sudden and unforeseeable nature of those changes caused the margins at all levels of activity to be lower than assumed.

In the coming year, the Management Board does not envisage any significant changes, both in relation to the technologically advanced devices launched and the entities offering these devices. In the Management Board's opinion, the main factors influencing the financial performance in the future are:

regarding internal factors:

- a) an on-going analysis of the phenomena occurring in the markets served and making decisions aimed at the best possible adjustment of the offer to the tendencies observed,
- b) an on-going control of transaction profitability and cost-effectiveness of the existing structures,
- c) further growth of activities on e-commerce markets,
- d) further expansion of what we offer to include new business areas such as toys and medical equipment,
- e) further improvement of activities in the handling of tenders and Enterprise,
- f) maintenance and gradual growth of export markets and expansion of Action Europe GmbH operating on the German market,
- g) better use of the advantages stemming from the expansion of the logistics centre in Zamienie,
- h) maintaining a wide base of customers representing all sales channels,
- i) further monitoring of the markets served and active participation in the sales channels that have been newly created or not used so far,
- j) maintaining strict ongoing monitoring of costs in the Company and in the Capital Group,
- k) ongoing monitoring and active management of the working capital,
- l) optimising the structure of the ACTION S.A. Capital Group and the performance of the entities forming it,

regarding external factors:

- a) economic and political situation in Poland and worldwide,
- b) consequences of the implemented or planned changes in the law, in particular the consequences of the implementation of the Family 500 Plus programme and other regulations supporting consumers,
- c) changes of regulations regarding health care, in particular, with respect to the existence and functioning of NFZ (National Health Fund),
- d) technological changes affecting the innovation of the products offered and the development of the Internet of Things,
- e) changes in the current and long-term monetary policy in Poland and worldwide,
- f) demand for the goods offered by the Company.

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

- significant risk factors related to the Group's operations,
- rules of corporate governance,
- information on basic commodity lines offered by the Group and their share in total sales,
- information on downstream markets,
- information on concluded agreements that are significant for the Group's operation,
- information on capital links, major capital 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 Companies of the Group,
- information on granted loans, guarantees and securities,
- description of the use of the proceeds from issue of shares,
- information concerning the explanation of the differences between the forecasts and the values declared in the annual report,
- assessment of the financial resources management and a description of the structure of assets and equity and liabilities in the consolidated statement of financial position, including the following data:

Liquidity ratios	31 December 2015	31 December 2014
Current ratio (current assets/current liabilities)	1.33	1.29

Quick ratio (liquid current assets / current liabilities)	0.79	0.73
Treasury ratio (short-term investments / current liabilities)	4.42%	11.75%

The Management Board underlined that similarly to the parent company, the Group had once again achieved safe levels of liquidity ratios. The parameters of liquidity ratios in 2015 maintained their safe values at the level of current liquidity. At the level of quick liquidity, the Group recorded a significant further improvement of the ratio. And at the level of treasury liquidity, the ratio decreased compared to the levels observed before 2014.

Level and structure of working capital in thousand PLN	Change	31 December 2015	31 December 2014
1. Current assets	-9.18%	1 142 946	1 258 416
2. Cash and securities	-66.71%	38 063	114 323
3. Adjusted current assets (1-2)	-3.43%	1 104 883	1 144 093
4. Current liabilities	-11.49%	861 438	973 220
5. Short-term loans	-39.06%	115 423	189 411
6. Adjusted current liabilities (4-5)	-4.82%	746 015	783 809
7. Working capital (1-4)	-1.29%	281 508	285 196
8. Demand for working capital (3-6)	-0.39%	358 868	360 284
9. Net cash (7-8)	3.03%	-77 360	-75 088
10. Percentage share of equity in financing current assets (7: 1) in %	2%	25%	23%

The Management Board underlined that also in the management of working capital the Group, just like its parent company, had maintained very good values and results. As a result, year 2015 ended for the Group with a decrease of its current assets by more than 9% mainly in connection with a significant drop in the value of maintained inventories while the value of the assets adjusted by the cash held decreased by 3.43%.

The Group also greatly reduced its short-term interest-bearing debt and the liabilities adjusted by the value of the credits incurred decreased by 4.82%.

As a result of the changes described above, the working capital and the Group's demand for current assets remained at the level similar to that recorded a year ago.

At the same time the Management Board indicated that in 2015 the Group had improved its debt ratios at all the monitored levels. These results show a sustainable and safe debt level in the Group. The details are presented in the table below:

Debt ratios	31 December 2015	31 December 2014
Total debt ratio	73.58%	76.37%
Net debt ratio*	72.82%	74.36%
Equity to assets	26.42%	23.63%
Interest-bearing debt/equity	69.22%	94.25%

* $(\text{liabilities} - \text{cash}) / (\text{assets} - \text{cash})$

The percentage structure of the consolidated balance sheet as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
ASSETS				
Non-current assets	218 241	16.03%	203 398	13.91%
Property, plant and equipment	181 213	13.31%	174 441	11.93%
Goodwill	17 500	1.29%	17 500	1.20%
Other intangible assets	12 463	0.92%	4 071	0.28%
Investment real property	3 545	0.26%	3 545	0.24%
Financial assets	324	0.02%	0	0.00%
Share in associates measured with the equity method	2 433	0.18%	2 830	0.19%
Deferred income tax assets	35	0.00%	111	0.01%
Trade and other receivables	728	0.05%	900	0.06%
Current assets	1 142 946	83.97%	1 258 416	86.09%
Inventories	460 235	33.81%	551 322	37.71%

Trade and other receivables	634 893	46.64%	592 548	40.54%
Receivables from current income tax	9 033	0.66%	19	0.00%
Derivative financial instruments	14	0.00%	0	0.00%
Other financial assets	708	0.05%	204	0.01%
Cash and cash equivalents	38 063	2.80%	114 323	7.82%
Total assets	1 361 187	100.00%	1 461 814	100.00%
EQUITY				
Equity attributed to Company's Shareholders	361 149	26.53%	345 067	23.61%
Share capital	1 661	0.12%	1 661	0.11%
Share premium surplus	58 112	4.27%	58 112	3.98%
Other reserve capitals	34 164	2.51%	30 000	2.05%
Retained earnings	265 731	19.52%	258 983	17.72%
Foreign exchange differences on translation of a foreign undertaking	-183	-0.01%	-132	-0.01%
Other components of equity	1 664	0.12%	-3 557	-0.24%
Minority interest / Controlling interest	-1 513	-0.11%	384	0.03%
Total equity	359 636	26.42%	345 451	23.63%
LIABILITIES				
Non-current liabilities	140 113	10.29%	143 143	9.79%
Loans, borrowings and other financing liabilities	133 505	9.81%	136 181	9.32%
Trade and other payables	0	0.00%	0	0.00%
Deferred income tax provision	6 608	0.49%	6 962	0.48%
Current liabilities	861 438	63.29%	973 220	66.58%
Trade and other payables	744 281	54.68%	778 624	53.26%
Loans, borrowings and other financing liabilities	115 423	8.48%	189 411	12.96%

Current income tax liabilities	143	0.01%	4 031	0.28%
Employee benefits	1 591	0.12%	1 154	0.08%
Derivative financial instruments	0	0.00%	0	0.00%
Provisions for other liabilities and charges	0	0.00%	0	0.00%
Total liabilities	1 001 551	73.58%	1 116 363	76.37%
Total liabilities and equity	1 361 187	100.00%	1 461 814	100.00%

Description of assets:

The Group's assets are still largely made up of current assets, accounting for almost 83.97% of the total assets at the end of 2015. Current assets included inventory, receivables and cash, accounting for 33.81%, 46.64% and 2.80% of the total assets respectively. In 2015, the Group greatly reduced its current assets mainly by way of a significant reduction of inventories as well as the repayment of loans.

The remaining assets, i.e. non-current assets, accounting for 16.03% of the balance-sheet total, are dominated by property, plant and equipment. A further increase in this portion of assets in relation to total assets was due to expenditures on the expansion of the logistics centre in Zamienie. The share of other non-current assets in total assets remained stable.

Description of equity and liabilities:

As was the case in previous years, the share of equity in total sources of financing remained at a high level of 26.53% in commercial companies at the end of 2015, which constituted an increase of that percentage compared to the previous year by almost 3 percentage points.

The short-term liabilities still constitute the largest share in equity and liabilities, accounting for 63.29% at the end of 2015. The drop of the percentage share of this portion of equity and liabilities by 3.29 percentage points was connected with a significant decrease in bank loans. At the same time trade liabilities remained at a similar level to last year.

To summarise, after the end of the investment period, the Group optimises the balance-sheet structure and the main components of assets and equity and liabilities remain at a safe level.

Moreover, the Management Board presented in its report:

- more significant events influencing the result of operation,
 - a description of the structure of capital investments,
 - a description of the Group's organisation naming the entities subject to the consolidation,
 - a description of the Capital Group's development policy,
- a description of significant off-balance sheet items, indicating that they include only contingent receivables and liabilities.

As of 31 December 2015 the Group held collateral for repayment of receivables of PLN 9,400 thousand.

Hedging liabilities resulting from agreements signed as of the reporting date and not reflected in the consolidated financial statements of ACTION S.A. Capital Group amounted to PLN 27,662 thousand as of 31 December 2015 and PLN 49,738 thousand as of 31 December 2014.

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 on the operations of the ACTION S.A. 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 statutory auditor, BDO Sp. z o.o.

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The consolidated financial statements of the ACTION S.A. Capital Group were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, issued and binding as of 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 ended 31 December 2015 comprise: the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

In the period covered in the consolidated financial statement, the companies of the Group, excluding ACTION S.A., ACTION EUROPE GmbH, and LAPADO Handelsgesellschaft GmbH, kept their accounting books in compliance with the accounting policy (principles) laid down by the Accounting Act of 29 September 1994 and the regulations issued thereunder. The consolidated financial statements contain adjustments not included in the accounting books of the Group, introduced to ensure compliance of the financial statements of these entities with IFRS. Since 1 January 2010, ACTION S.A. has been keeping its books in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, published and in force as of the balance-sheet day, and with respect to matters not regulated by the IFRS, in compliance with the Polish Accounting Act of 29 September 1994. ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH have been keeping their 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 January 2015 to 31 December 2015:

- the consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015, with net profit attributable to the Shareholders of the parent company amounting to PLN 23,232 thousand and comprehensive income attributable to the Shareholders of the parent company amounting to PLN 28,402 thousand;

- the consolidated statement of financial position as of 31 December 2015, showing total assets and equity & liabilities of PLN 1,361,187 thousand;
- the statement of changes in the consolidated equity for the period from 1 January 2015 to 31 December 2015, showing PLN 359,636 thousand at the end of the period, which constitutes an increase in equity by PLN 14,185 thousand;
- the consolidated cash flow statement for the period from 1 January 2015 to 31 December 2015, showing PLN 38,063 thousand at the end of the period, which constitutes a decrease in net cash by PLN 76,260 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 statutory auditor, BDO Sp. z o.o.

III. MANAGEMENT BOARD'S MOTIONS REGARDING PROFIT

The Company's Management Board requested that the profit for financial year 2015 of PLN 24,087,801.60 be distributed as follows:

1. PLN 16,957,000, i.e. PLN 1 per share for the payment of the dividend to the Company's Shareholders,
2. PLN 7,130,801.60 for supplementary capital.

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. Having regard to the foregoing, it should be noted that the profit distribution method proposed by the Management Board takes into account the current standing of the Company and the Capital Group as well as requirements related to the projects carried out by the Company and cash requirements.

IV. CONCISE ASSESSMENT OF THE STANDING OF THE CAPITAL GROUP ACTION S.A.

As of 31 December 2015 the Capital Group consisted of the following entities:

Parent: company:
ACTION S.A. with its registered office in Warsaw

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. based in Warsaw – indirect subsidiary (99.89%)¹⁾

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

ACTION GAMES LAB S.A. with its registered office in Zamienie – subsidiary (40%)³⁾

ACTION CENTRUM EDUKACYJNE Sp. z o.o. with its registered office in Warsaw – associate (24.38%)⁴⁾

SYSTEMS Sp. z o.o. with its registered office in Warsaw – indirect associate (24.38%)⁵⁾

ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)⁶⁾

ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany) – subsidiary (100%)⁷⁾

RETAILWORLD Sp. z o.o. with its registered office in Stara Iwiczna – indirect subsidiary (99.89%)⁸⁾

LAPADO Handelsgesellschaft GmbH with its registered office in Potsdam (Germany) – indirect subsidiary (51%)⁹⁾

ACTIONMED Sp. z o.o. with its registered office in Zamienie – subsidiary (100%)¹⁰⁾

ACTION INNOVATIVE SOLUTIONS Sp. z o.o. with its registered office in Bielsko-Biała – subsidiary (51%)¹¹⁾

¹⁾ SFERIS Sp. z o.o. with its registered office in Warsaw was consolidated as of 5 January 2007.

²⁾ GRAM.PL Sp. z o.o. based in Warsaw was consolidated as of 28 May 2009 and on 18 December 2009 the interest was increased to 80%. On 24 May 2010, the interest was increased to 100% as a result of an agreement on the purchase of interests.

³⁾ ACTION GAMES LAB S.A. with its registered office in Zamienie was incorporated on and consolidated as of 12 December 2011.

⁴⁾ ACTION CENTRUM EDUKACYJNE Sp. z o.o. with its registered office in Warsaw was consolidated as of 1 October 2012.

⁵⁾ SYSTEMS Sp. z o.o. with its registered office in Warsaw was consolidated as of 1 October 2012.

⁶⁾ ACTIVEBRAND Sp. z o.o. with its registered office in Zamienie was established on 3 September 2012.

⁷⁾ ACTION EUROPE GmbH with its registered office in Braunschweig (Germany) was consolidated as of 8 July 2013. On 1 April 2014, by means of a purchase of a non-controlling interest (33.33%), the interest of ACTION S.A. were increased to 100%.

⁸⁾ RETAILWORLD Sp. z o.o., with its registered office in Stara Iwiczna was consolidated as of 18 November 2013.

⁹⁾ LAPADO Handelsgesellschaft GmbH with its registered office in Potsdam (Germany) was consolidated as of 1 January 2014.

¹⁰⁾ ACTIONMED Sp. z o.o., with its registered office in Zamienie was consolidated as of 19 December 2014.

¹¹⁾ ACTION INNOVATIVE SOLUTIONS Sp. z o.o. with its registered office in Bielsko-Biała was consolidated as of 27 October 2015.

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

ACTION ENERGY Sp. z o. o. was excluded from consolidation as of 1 January 2015 due to the loss of significant influence.

On 25 March 2015, ACTION S.A. acquired 100% of shares in the increased capital of ACTIONMED Sp. z o.o. for PLN 95 thousand. Then, on 1 July 2015, ACTION S.A. also acquired all newly issued shares in the increased capital of ACTIONMED Sp. z o.o. for PLN 200 thousand.

On 27 November 2015, ACTION S.A. entered into a contract for the sale of 10 shares acquired of ACTION CENTRUM EDUKACYJNE Sp. z o.o. with a total nominal value of PLN 152 thousand for PLN 160 thousand.

On 27 October 2015 ACTION S.A. acquired 51% of shares in the share capital of ACTION INNOVATIVE SOLUTIONS Sp. z o.o. for PLN 701 thousand.

Shares of third parties in the subsidiaries:

1. **SFERIS Sp. z o.o. – 0.11%, of which: Piotr Bieliński 0.055%, Anna Bielińska 0.055%**
2. **LAPADO Handelsgesellschaft GmbH – 49% of shares held by Jacek Mońko**
3. **ACTION GAMES LAB S.A. – 60% of shares carrying rights to 75% of votes at the shareholders' meeting are held by Piotr Bieliński**
4. **ACTION INNOVATIVE SOLUTIONS Sp. z o.o. – 49% of shares are held by Piotr Olejak**

ACTINA Sp. z o.o. deals in wholesale of computer hardware. The primary object of SFERIS Sp. z o.o. is retail of computer hardware. The activities of GRAM.PL Sp. z o.o. (computer games) focuses on retail sales via the Internet. This company also deals in wholesale trade in computer hardware. SFK Sp. z o.o. deals in wholesale trade and advertising activities. Apart from providing advertising services, in 2015 ACTION GAMES LAB S.A. started producing computer games. The main business profile of ACTION CENTRUM EDUKACYJNE Sp. z o.o. and SYSTEMS Sp. z o.o. is training and IT services and the rental of computer hardware. ACTIVEBRAND Sp. z o.o. is commencing activities in the marketing services sector. ACTION EUROPE GmbH conducts distribution activities related to wholesale sales of IT products and white goods. RETAILWORLD Sp. z o.o. focuses on wholesale of IT hardware and accessories to foreign clients. LAPADO Handelsgesellschaft GmbH deals in wholesale trade of computer hardware. ACTIONMED Sp. z o.o. has started its activity related to wholesale sales of IT hardware and medical accessories and the sale of services. ACTION INNOVATIVE SOLUTIONS Sp. z o.o. starts activities in manufacture and distribution of telecommunications equipment.

Financial year 2015 was a less successful period in the Group's operations in comparison with previous years although there are no doubts that the Group's standing should be assessed in positive terms. Relatively less satisfying financial performance is definitely an outcome of worse sentiments on the retail market, including market changes resulting from a more limited range of technologically advanced devices than in previous years, the introduction of new tax regulations and the growing consolidation of suppliers and retail networks. All those changes had a material impact on the demand recorded in 2015. Additionally, the relatively sudden and unforeseeable nature of these changes caused the margins at all levels of activity to be lower than assumed.

The basic financials deteriorated although the volume of sales remained very high; however, the profit earned is considerably lower. Still, financial liquidity ratios are kept at a safe level too.

In 2015, the Group still had a strong and consolidated market position. In the assessment of the Supervisory Board, both ACTION S.A., as the parent company, and all subordinated entities implement the Group's strategy by optimally using their individual potential and competence. The Capital Group's development policy goes in the right direction and it assumes current monitoring of markets where Group entities operate and taking relevant decisions which influence their activities. The main assumption of the Group's policy is flexibility of business activity and a continuous search for attractive growth areas. New distribution agreements for the supply of hardware and software as well as the distribution of toys and medical equipment will be concluded. Moreover,

innovations regarding other products, including services, will be offered. The Management Board of the parent company takes decisions with respect to changes in the Capital Group's structure in order to optimise the Group's result, with a view to maintain maximum transparency. This requires maintaining current policy aimed at steady increase in the value of own brands as well as further development of the Group partly by way of entering into capital transactions. In subsequent years, the ACTION S.A. Capital Group intends to actively seek investment objectives in foreign markets.

As regards the assessment of the internal control system and the risk management system at the Capital Group, it should be emphasised 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. There is also a supervisory board in ACTION GAMES LAB S.A. 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 are sufficient to consider the Group's current standing as still very good.

Warsaw, 24 May 2016