

POLISH FINANCIAL SUPERVISION AUTHORITY

Current report no. 85/2008

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Abbreviated name of issuer: ACTION S.A.

Subject: Report of the Supervisory Board of ACTION S.A. for financial year 2007/2008

Legal basis: Article 56 item 1 point 2 of the Act on Public Offerings - current and periodic information

Content of the report:

The Management Board of ACTION S.A. hereby announces reports issued on this day of 25 November 2008 by the Supervisory Board of ACTION S.A. on:

- results of the review of the Management Board's Report, the Company's financial report, the Management Board's proposal on the appropriation of profit and evaluation of the condition of the Company in financial year 2007/2008,
- review of the Statement of the Management Board, the consolidated financial statement, proposal and report of the Management Board on the appropriation of profit and the ACTION S.A. Capital Group for financial year 2007/2008.

Annex No. 2 to Minutes No. 7/2008 of the ACTION S.A. Supervisory Board Meeting of 11/25/2008.

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

**on the results of the review of the Statement of the Management Board, the
Company's financial report and the Management Board's proposal on the
appropriation of profit and evaluation of the condition of the Company in financial year
2007/2008**

The Supervisory Board of ACTION S.A. with the registered head office in Warsaw has performed the following tasks:

- reviewed and evaluated the Statement of the Company's Management Board for financial year 2007/2008, the financial statement of the Company for financial year 2007/2008 with respect to its consistency with the books and records as well as the factual status, and the proposal of the Management Board on the appropriation of the Company's profits for financial year 2007/2008, as per Article 382 paragraph § 3 of the Commercial Companies Code,
- issued a brief summary of the Company's condition, including an evaluation of work of the Supervisory Board, which it hereby reports on¹.

I. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the company presented the following data in its statement for financial year 2007/2008:

1. Key financial data and growth potential in the next financial year, based on:

Sales revenue for 2007: PLN 2,212,972 M

Dynamics of sales revenue growth for 2007: 28.6 % (in terms of value, the revenue on sales increased from by PLN 1,721,401 M in 2006 by PLN 491,571 M).

Operating profit for 2007: PLN 34,513 M

Net profit for 2007: PLN 39,721 M

Net profit growth in 2007 for operating profit: 51.4 %, net profit: 79.2 %.

The Management Board pointed out that considering the growing demand for the goods offered by the Company and the ongoing expansion of the list of the goods and services offered, the Board of ACTION S.A. considers the prospects of the entire next financial year as favorable. The key premises that confirm that view are as follows:

- the performance of the warehouse facilities is being constantly increased e.g. by significantly expanding it (the present warehouse area is 11,500 sqm),
- the product range sold is constantly growing, e.g. by including Kinston and D-Link products. The complete product offer currently comprises 15,500 items,
- the number of corporate customers keeps increasing (at present more than 9,000 per month),
- online sales channels designed for the domestic and the foreign market are

¹ Whenever this report refers to year 2006 as a reporting period, it shall mean the period from 01 August 2006 and 31 July 2007.

Whenever this report refers to year 2007 as a reporting period, it shall mean the period from 01 August 2007 and 31 July 2008.

implemented and continue to be developed (A.PL, I-Serwis, I-Partner, Webserwis),

- SFERIS chain is expanded – new shops open,
- distribution channels are optimized and new sales methodologies are being introduced,
- the technological solutions used to support manufacturing and logistics are constantly enhanced.

The external drivers deemed to be of most importance include:

- an increase of the value of the IT market in Poland and in Ukraine,
- inflow of EU funding to domestic public and private entities,
- change of value of the national currency, which resulted in changes of prices and of demand for the products distributed by the Company

The Statement of the Management Board of ACTION S.A. also emphasized that the Board expects an increase of the Company's sales, which will consequently increase its net profit margin. The Company's present favorable financial condition is expected to be maintained. However, one cannot exclude a growth of the debt ratios as a result of the Company's investment policy.

2. In its statement, the Management Board also presented the following information:

- key risk factors related to the Company's operations
- risks related to the Company's business environment
- key product categories offered by the Company and their share in total sales
- target markets
- key contracts concluded that have significant impact on the Company's business
- capital relationships and dependencies and key capital investments
- key transactions with affiliated entities
- credits taken, loan agreements and guarantees and sureties granted for the Company
- loans, guarantees and sureties granted
- use of funds obtained by share issue
- details on reconciliation of differences between forecasts and the values indicated in the *annual* statement
- evaluation of the financial asset management, including the following data:

Liquidity ratios	2007	2006
Current ratio (current assets/current liabilities)	1.2	1.2
Quick ratio (liquid assets/current liabilities)	0.8	0.7
Cash ratio (short-term investments/current liabilities)	0.02	0.01

The Management Board pointed out that the values of liquidity ratios of the Group are typical for the best trade companies in the distribution industry. Liquidity ratios for 2007 remain at a

their values for the preceding year and are considered optimal for commercial distribution companies.

The Board also presented the following data:

Working capital values and structure	Increment	2007	2006
1. Current Assets	36.2%	425,283	312,349
2. Cash and securities	195.3%	4,306	1,458
3. Current assets adjusted (1-2)	35.4%	420,977	310,891
4. Current liabilities	44.2%	362,829	251,650
5. Short-term credits	126.3%	133,823	59,131
6. Current liabilities adjusted (4 - 5)	19.0%	229,006	192,519
7. Working capital (1 - 4)	3.0%	62,454	60,699
8. Working capital needs (3 - 6)	62.2%	191,971	118,372
9. Net balance of cash (7 - 8)	124.6%	-129,517	-57,673
10. Use of own funds in working capital financing (7 : 1) in %	-4 pp	15%	19%

The Management Board concluded that the data presented above indicate a secure financial standing of the Company. The negative balance of cash indicates a need for external sources of funding. It is caused by the growing value of sales (the reasons for it include the performance of deliveries to the Ministry of Education in the last months of 2007) and continuous increasing of the product range.

The Management Board also stated that the good financial standing is confirmed by debt ratios, whose value was as follows at the end of 2007 and 2006:

Debt ratios	2007	2006
Debt to total assets ratio (DR)	68.5%	65.6%
Assets to equity ratio	31.5%	34.4%

It was stressed that the increase of debt in the recent period was mainly caused by a significant increase of sales and the consequent necessity to employ additional external funding, which was also required by the development of the expansion of the logistics centre in Zamienie.

The Statement made by the Management Board also included the following information:

- evaluation of potential for successful implementation of the Company's investment plans
- evaluation of factors and extraordinary events with an impact on business performance
- external and internal factors with impact on the Company's growth
- changes in key principles of management applied by the Company and the Capital Group
- changes in the composition of the management or supervisory bodies
- contracts concluded by the Company with its managers
- information on salaries, bonuses and benefits payable to managers and supervisors of the Company
- information on nominal value and total value of all Company's shares
- information on holders of at least 5% of shares
- information on contracts with a potential impact on the existing shareholder structure
- security owners with special control rights towards the Company
- employee share program control system
- restrictions for transfer of title of ownership on securities
- information on the entity authorized to audit the financial statements
- expected growth of the Company and development of its financial condition.

The Supervisory Board hereby confirms that the above data and circumstances included in the Statement of the Management Board it examined are consistent with the facts and with the Company's records and are confirmed by the opinion of an independent certified auditor, BDO Numerica International Auditors & Consultants Sp. z o.o.

II. FINANCIAL STATEMENT

According to the Company's financial statement for period from 08/01/2007 to 07/31/2008:

- the balance as of 07/31/2008 indicated a sum of PLN **562,744 M** on assets and liabilities positions;
- the profit and loss account for the period between 08/01/2007 and 07/31/2008 indicated a net profit of PLN **39,721 M**;
- the summary of changes in the equity for the period between 08/01/2007 and 07/31/2008 which indicated an equity increase by PLN 38,388 M;
- the consolidated cash flow statement showed a net cash flow increase in the period between 08/01/2007 and 07/31/2008 by PLN **2,848 M**.

The Supervisory Board confirms that the values presented are consistent with the Company's records and are confirmed by the opinion of an independent certified auditor, BDO Numerica International Auditors & Consultants Sp. z o.o

III. PROPOSALS OF MANAGEMENT BOARD ON PROFIT APPROPRIATION

The Management Board has proposed the following appropriation of profit earned in financial year 2007/2008, which amounted to PLN 39,720,706.19:

- *the amount of PLN 7,876,800, i.e. PLN 0.48 per share be set aside for dividend payments to shareholders,*
- *the amount of PLN 31,843,906.19 be allocated to supplementary capital..*

The Supervisory Board approves such a motion of the Management Board and agrees to implementing it. To substantiate that approach it must be stated that the method of appropriation of profit proposed by the Management Board reflects the present condition of the Company, the information announced to shareholders and the Company's investment plans.

IV. BRIEF SUMMARY OF COMPANY'S CONDITION AND EVALUATION OF WORK OF SUPERVISORY BOARD

Financial year 2007/2008 was another successful period for the Company's business. Such an opinion is particularly based on key financial results attained by the Company, including a significant increase in sales and earnings. The Company continued to strengthen its well-established position on the IT market. The trade policy of the Company (maintaining a share in the sales of key product categories and its choice of target markets and suppliers) show a substantial variety of products offered, customers and suppliers, which has a positive influence on the Company's liquidity and prevents it from becoming dependent upon any specific supplier or customer. The Company also expands its target markets through its subsidiaries, branches and regional sales representatives. It also takes steps to develop its online sales channels.

The Company secures appropriate level of financing by means of credit agreements with several different banks. In addition, the Company continues to implement its investment plans (by expanding and upgrading its warehouses and developing its retail chain in Ukraine), which will have influence over its further growth. The Company also implements its consolidation plans whose primary goal is to optimize the operations of the ACTION S.A. Capital Group. Having completed the process of combination with its subsidiary California Computer S.A., ACTION S.A. continued liquidating further subsidiaries: EKOACTION Sp. z o.o. and Action Internet Sp. z o.o. (as of the date of drawing up of this report, the liquidation process for those two units has already completed). In the period in question, on 07/31/2008 the General Meeting decided to change the financial year of the Company to one identical with calendar year. The first financial year after that change, 2008/2009, shall last seventeen consecutive calendar months. It commenced on 1 August 2008 and will end on 31 December 2009.

The Supervisory Board is of the opinion that the data presented by the statements which are subject to this review allow concluding that the present condition of the Company is very good.

The financial year of 2007/2008 was the second full year of operation of ACTION S.A. as a publicly traded stock company. The consequently increased level of requirements also pertained to the Supervisory Board. In the period in question, the Supervisory Board was composed of 5 members, the minimum legally allowed number of members. The Board includes two independent members.

In the financial year 2007/2008, the following individuals were officers of the Supervisory Board:

1. Iwona Bocianowski, Chairperson;
2. Łukasz Pawłowski, Deputy Chairperson, Independent Member;
3. Joanna Wójcik, Member;
4. Rafał Antczak, Independent Member;
5. Piotr Kosmala, Member.

In financial year 2007/2008 the Supervisory Board held 7 sessions, passing a number of resolutions, most of which were related to supervisory and auditing authority of the Board. Key issues dealt with in the past year included:

- making decisions with respect to the changes in the composition of the Management Board
- designating the Management Board for the next term for period from 07/20/2008 to 07/19/2012
- ongoing review of the operations of the Company and the plans of the Management Board
- evaluation of the consolidation process under the Capital Group ACTION S.A., including the sale of real estate of the liquidated subsidiary EKOACTION Sp. z o.o.
- granting permission for the sale of the Company's the real estate
- granting permission for concluding contracts, including ones executed with members of the Management Board, as well as representing the Company in such contracts
- preparing the amendments to the executive stock options scheme and issuing subscription warrants under that program
- reviewing the drafts of resolutions of the General Meeting of Shareholders,
- choosing the certified auditor,
- reviewing the Statement of the Management Board of the Company and its capital group and financial statements, including the consolidated ones.

Warsaw, 25 November 2008

Iwona Bocianowska
.....

Łukasz Pawłowski
.....

Rafał Antczak
.....

Piotr Kosmala
.....

Marek Jakubowski
.....

Annex No. 3 to Minutes No. 7/2008 of the ACTION S.A. Supervisory Board Meeting of 11/25/2008.

Statement of Supervisory Board of ACTION S.A.

on review of the Statement of the Management Board, the consolidated financial statement, proposal and report of the Management Board on the appropriation of profit and the ACTION S.A. Capital Group for financial year 2007/2008

The Supervisory Board of ACTION S.A. with the registered head office in Warsaw has performed the following tasks:

- reviewed and evaluated the Statement of the Management Board on the operations of the ACTION S.A. Capital Group for financial year 2007/2008, the consolidated financial statement of the Capital Group for financial year 2007/2008 with respect to its consistency with the books and records as well as the factual status, and the report of the Management Board on the appropriation of profit attained by ACTION S.A. in financial year 2007/2008
- issued a brief summary of the condition of the ACTION S.A. Capital Group, which it hereby reports on².

I. STATEMENT OF THE MANAGEMENT BOARD ON CAPITAL GROUP OPERATIONS

The Company's Management Board presented the following data in its statement on operations of the ACTION S.A. Capital Group for financial year 2007/2008:

² Whenever this report refers to year 2005 as a reporting period, it shall mean the period from 01 August 2005 and 31 July 2006.

Whenever this report refers to year 2006 as a reporting period, it shall mean the period from 01 August 2006 and 31 July 2007.

1. Key financial data and prospects for growth of the ACTION S.A. Capital Group in the next financial year, based on:

Sales revenue for 2007: PLN 2,343,368 M

Dynamics of sales revenue growth for 2007: 30.37% (in terms of value, the revenue on sales increased from by PLN 1,797,520 M by PLN 545,848 M).

Operating profit for 2007: - PLN 57,309 thousand

Net profit for 2007: - PLN 35,915 thousand

Net profit growth in 2007: operating profit: 88.73%, net profit: 62%.

The Management Board pointed out that the ACTION Capital Group develops its operations much faster than the rate of economic growth. That can be attributed to a number of factors, both of external and of internal nature. The most significant growth drivers include an absorbent domestic market and the development of markets of the Central and Eastern Europe, the accelerating computerization of numerous walks of life and the actions taken by the Group within its units to streamline its operations and improve the utilization of the available resources.

Considering the growing demand for the goods offered by the Group and the ongoing expansion of the list of the goods and services offered, the Board of ACTION S.A. considers the prospects of the new financial year to be favorable. The key premises that confirm that view are as follows:

- increase of sales in the first months of the new accounting year,
- an increasing number of new distribution contracts – the most remarkable achievements being the contracts with Panasonic, Horn and Jura,
- a general increase of level of investments in IT and warehousing and logistics infrastructure,
- an increase of orders executed based on EU funds,
- the expected increase of public orders in the field of IT infrastructure.

The Group will continue to be developed and its performance increased in particular by means of:

- creating measures that ensure further enhancement customer relationships
- expanding and automating the existing logistics centre in Zamienie
- decreasing the operating costs by a further automation of processes and a better use of resources in the context of the current process consolidation of the Group
- further expansion of the sales network and the trade offer
- capital investments.

2. In its statement ob the operations of the Capital Group, the Management Board also presented the following information:

- key product categories offered by the Group and their share in total sales
- target markets
- capital relationships and dependencies, key capital investments and an outline of directions of development of the Capital Group

- details on reconciliation of differences between forecasts and the values indicated in the annual statement
- evaluation of financial asset management and the structure of assets and liabilities of the consolidated balance, including the following data:

Liquidity ratios	2007	2006
Current ratio (current assets/current liabilities)	1.21	1.22
Quick ratio (liquid assets/current liabilities)	0.75	0.66
Cash ratio (short-term investments/current liabilities)	0.02	0.03

At that point, the Management Board emphasized that the values of liquidity ratios of the ACTION S.A. Capital Group are typical for the best trade companies in the distribution industry. It was also stated that the data for the period in question illustrate a stable condition of the liquidity of the Group. The growth of the quick ratio with a concurrent decrease of the cash ratio was a result of the deliveries to the Ministry of Education at a total value exceeding PLN 120,000 M.

Working capital values and structure (PLN M)	Increment	2007	2006
1. Current Assets	48.65%	455,465	306,407
2. Cash and securities	14.16%	8,890	7,787
3. Current assets adjusted (1-2)	49.55%	446,575	298,620
4. Current liabilities	49.93%	376,933	251,411
5. Short-term credits	126.45%	133,905	59,131
6. Current liabilities adjusted (4 - 5)	26.39%	243,028	192,280
7. Working capital (1 - 4)	42.80%	78,532	54,996
8. Working capital needs (3 - 6)	91.41%	203,547	106,340
9. Net balance of cash (7 - 8)	143.49%	-125,015	-51,344
10. Use of own funds in working capital financing (7:1) as %	-1pp.	17%	18%

The Management Board stressed that the data presented above indicate a secure financial standing of the ACTION Capital Group. The negative balance of cash indicates a need for external sources of funding. It is caused by the growing value of sales revenue (primarily due to the performance of deliveries to the Ministry of Education in the last months of 2007) and a continuous growth of the product range offered. The excellent financial standing is also confirmed by the debt ratios, which were as follows:

Debt ratios	2007	2006
Debt to total assets ratio (DR)	68.37%	64.33%
Assets to equity ratio	31.63%	35.67%

The Management Board explained that the increase of debt in the recent period was mainly caused by a significant increase on the side of receivables due to the performance of deliveries to the Ministry of Education and the consequent necessity to employ additional external funding of PLN 120,000 M.

As of 31 July 2008, the percentage structure of the consolidated balance is as follows:

ASSETS	Value as of 31 July 2008	% structure	Value as of 31 July 2007	% structure
Non-current assets	117,433	20.50%	99,232	24.46%
Tangible fixed assets	92,100	16.08%	70,679	17.42%
Intangible assets	8,990	1.57%	15,440	3.81%
Deferred income tax assets	526	0.09%	481	0.12%
Long-term investments	7	0.00%	7	0.00%
Trade receivables and other receivables	1,042	0.18%	678	0.17%
Current assets	455,465	79.50%	306,407	75.54%
Inventory	173,861	30.35%	140,718	34.69%
Trade receivables and other receivables	272,714	47.60%	157,892	38.92%

Financial assets	0	0.00%	10	0.00%
Cash and cash equivalents	8,890	1.55%	7,787	1.92%
Total assets	572,898	100.00%	405,639	100.00%

LIABILITIES AND EQUITY	Value as of 31 July 2008	% structure	Value as of 31 July 2007	% structure
Shareholders' equity	181,236	31.63%	144,692	35.67%
Share capital	1,641	0.29%	1,641	0.40%
Share premium account	55,744	9.73%	55,744	13.74%
Retained earnings	114,010	19.90%	80,424	19.83%
Total equity due to Shareholders	171,395	29.92%	137,809	33.97%
Minority capital	9,841	1.72%	6,883	1.70%
Total equity capital	181,236	31.63%	144,692	35.67%
Liabilities	391,662	68.37%	260,947	64.33%
Long-term liabilities	14,729	2.57%	8,776	2.16%
Short-term liabilities	376,933	65.79%	251,411	61.98%
Trade liabilities and other	239,100	41.74%	190,926	47.07%
Bank loans and credits and other financial liabilities	133,905	23.37%	59,131	14.58%
Employee benefit liabilities	652	0.11%	585	0.14%
Reserves for remaining obligations and other charges	3,247	0.57%	769	0.19%
Total liabilities and equity	572,898	100.00%	405,639	100.00%

Profile of assets:

A strong majority (i.e. 79.50%) of assets of the ACTION Capital Group are its current assets, which is typical of trade companies. Compared to the previous year, the value of the current assets increased by 48.65%, and their share in total assets grew by 3.96%. The remaining part of assets (20.50%) are fixed assets, which are mostly tangible fixed assets used to ensure the highest possible quality of the processes used. In the current financial year the ACTION Capital Group made further investments in order to be able to maintain its fast pace

of development. The fixed assets value grew by PLN 18,201 M, i.e. by 18.34 % compared to the previous year. It must be noted that the increase in assets was concentrated mostly on tangible fixed assets (increment by PLN 21,421 M and a concurrent drop in value of intangible assets by PLN 6,450 M.

Profile of liabilities and equity:

The equity of ACTION Capital Group has a more than 30% share in financing its assets, which is above the average value in comparison go other entities with a similar business structure. The existing capital structure ensures good financial liquidity and business security as well as gives a higher index of creditworthiness. It is also permanent by nature. In the previous financial year, the equity share was 35.67%. The drop of equity share in asset financing is a result of a single event, i.e. the performance of the contracts executed with the Ministry of Education and the consequent necessity to use crediting at a total amount of PLN 120,000 M.

It is typical for trade entities and groups to have trade liabilities as the dominating source of asset financing. In case of the ACTION Capital Group, their share in the consolidated balance as at 31 July 2008 was 65.79%. In the previous year the same parameter had a value of 61.98%. Such data indicate a stabilization of liabilities of the Group. A significant change is the increased share of short-term interest debt understood as credits and loans, which constituted 23.37% of liabilities as of the end of July 2008, a growth of 126% compared to 14.58% as at the end of the previous balance year. The drivers of that growth were presented above.

In the view of the Management Board, the above data indicates a safe condition of the Group, both with respect to its business as well as the sources of financing it requires to maintain its assets and be able to pursue its plans of development.

The Statement made by the Management Board also included:

- evaluation of potential for successful implementation of investment plans
- evaluation of factors and extraordinary events with an impact on business performance
- external and internal factors with impact on the Company's growth
- changes in key principles of management of the Company and the Capital Group
- changes in the composition of the management or supervisory bodies
- contracts concluded by the Company with its managers
- information on salaries, bonuses and benefits payable to managers and supervisors of the Company
- information on holders of at least 5% of shares
- information on contracts with a potential impact on the existing shareholder structure
- security owners with special control rights towards the Company
- employee share program control system
- restrictions for transfer of title of ownership on securities

- information on the entity authorized to audit the financial statements
- expected growth of the Company and development of its financial condition.

The Supervisory Board hereby confirms that the data and circumstances included in the Statement of the Management Board on the operations of the ACTION S.A. Capital Group it examined are consistent with the facts and with the Company's records and are confirmed by the opinion of an independent certified auditor, BDO Numerica International Auditors & Consultants Sp. z o.o.

II. FINANCIAL STATEMENT

According to the consolidated financial statement of the ACTION S.A. Capital Group for period from 08/01/2007 to 07/31/2008:

- the balance as of 07/31/2008 indicates a sum of PLN 572,898 M on assets and liabilities positions;
- the profit and loss account for the period between 08/01/2007 and 07/31/2008 indicates a net profit of PLN 35,915 M;
- the summary of changes in the consolidated equity for the period between 08/01/2007 and 07/31/2008 indicates an equity increase by PLN 36,544 M;
- the consolidated cash flow statement shows a net cash flow increase in the period between 08/01/2007 and 07/31/2008 by PLN 1,103 M;

The Supervisory Board confirms that the values presented are consistent with the Company's records and are confirmed by the opinion of an independent certified auditor, BDO Numerica International Auditors & Consultants Sp. z o.o

III. PROPOSALS OF MANAGEMENT BOARD ON PROFIT APPROPRIATION

The Management Board has proposed the following appropriation of profit earned in financial year 2007/2008, which amounted to PLN 39,720,706.19:

- *the amount of PLN 7,876,800, i.e. PLN 0.48 per share be set aside for dividend payments to shareholders,*
- *the amount of PLN 31,843,906.19 be allocated to supplementary capital..*

As regards the subsidiaries included in the Group, the Management Board announced that the companies which made profit decided to allocate it to supplementary capital or to use it to cover losses of previous years. The companies which made losses decided that they be covered them with their profit in future reporting periods or by means of the funds they have set aside as supplementary capital.

The Supervisory Board approves such a motion of the Management Board and agrees to implementing it. To substantiate the above it must be stated that the method of appropriation of profit proposed by the Management Board reflects the present condition of the Company, the information announced to shareholders and the Company's investment plans.

IV. BRIEF ASSESSMENT OF CONDITION OF ACTION S.A. CAPITAL GROUP

As of 31st July 2008 the Capital Group included the following companies:

ACTION S.A. – parent entity

EKOACTION Sp. z o.o., under liquidation (former name: A.PL Sp. z o.o.) – a subsidiary (100 %) (***)

ACTION INTERNET Sp. z o.o. under liquidation (former name: Action Wroclaw Sp. z o.o.) – a subsidiary (100 %) (***)

ACTION Ukraina TzOW – a subsidiary (51 %)

SFK Sp. z o.o. – a subsidiary (100 %)

PROLOGIC Sp. z o.o. – a subsidiary (100 %) (****)

ACTINA Sp. z o.o. – a subsidiary (100 %)

A.PL Sp. z o.o. with registered office in Warsaw – a subsidiary (100 %) (*)

SFERIS Sp. z o.o. (former name: PTR Sp. z o.o.) – an indirect subsidiary (99.89 %) (**)

(*) A.PL Sp. z o.o. with a registered office in Warsaw was established on 12 October 2006.

(**) SFERIS Sp. z o.o. with registered office in Warsaw was included in the consolidation process on 5 January 2007.

(***) On 1 February 2008 EKOACTION Sp. z o.o. and ACTION INTERNET Sp. o.o. were put into liquidation. The liquidation procedure for EKOACTION Sp. z o.o. ended on 11/12/2008 and one for ACTION INTERNET Sp. z o.o. ended on 11/18/2008. The liquidators applied to the National Court Register to unregister those companies.

(****) PROLOGIC Sp. z o.o. – change of ownership structure: share purchase contracts executed on 27 June 2008, as referred to in the further part of this report.

The following capital investments were made between 1 August 2007 and 31 July 2008:

On 11 July 2007, the Extraordinary Meeting of Shareholders of SFERIS Sp. z o.o. passed a resolution on increasing the initial capital from PLN 190,566.16 to PLN 29,690,362.36. All the 27,245 new shares of PLN 1,082.76 each were acquired by ACTINA Sp. z o.o., a related entity which until that point had been in possession of 101 shares. The capital increase payments to SFERIS Sp. z o.o. were made in total after the balance date in August 2007. On 25 January 2007, ACTINA Sp. z o.o. received a decision of the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, which confirmed

that the increase of the initial capital was registered on 11 September 2007. The value of the initial capital of ACTINA Sp. z o.o. after the increase registration is PLN 29,550 M, which is divided into 59,100 equal shares with a par value of PLN 500 each. All the shares in the share capital belong to ACTION S.A. The capital was brought up at its full amount.

On 27 June 2008 ACTION S.A. concluded purchase agreements pursuant to which it acquired shares of PROLOGIC Sp. z o.o., its subsidiary, from two natural persons who owned a total of 40 shares in PROLOGIC Sp. z o.o. All those agreements were concluded on the same terms. They transferred the ownership of 40 shares in the company's share capital of a total value of 133,333 PLN, i.e. 3,333.33 PLN per share, to ACTION S.A. ACTION S.A. is related to one of the sellers in that the seller is its proxy. The shares purchased by ACTION S.A. were recognized as assets of significant value in view of the fact that they comprised over 20% of the share capital of the entity whose shares currently constituted part of the financial assets of ACTION S.A. The company looks at the purchase of those shares as a long-term capital deposit. The transaction was also intended to give full control over PROLOGIC Sp. z o.o., which is expected to facilitate managing that unit and to improve the consolidation of the ACTION Capital Group.

ACTION S.A. had already been a partner of PROLOGIC Sp. z o.o. prior to the transaction and a holder of 60 of its 100 shares with a nominal value of 500 PLN per share and a total nominal value of 30,000 PLN, which constituted 60% of the share capital and the same number of votes at general meetings of shareholders of PROLOGIC Sp. z o.o. As a result of the transaction, ACTION S.A. is now in possession of 100% of shares in the share capital and of the same proportion of votes at general meetings of shareholders of PROLOGIC Sp. z o.o.

In the view of the Supervisory Board, year 2007/2008 was a successful period for the ACTION S.A. Capital Group. That success was largely contributed to by the operations and achievements of the parent company. It is clearly illustrated by the key financial results attained by the Group, including a significant increase in sales and earnings. The Group also strengthened its established position on the IT market, also with noteworthy achievements in that respect outside Poland (ACTION Ukraina TzOW).

The Group continues its efforts aimed at optimizing the costs and streamlining its operations.

As part of those efforts, as of the date of publication of this report the liquidation procedures have already wound up for companies: EKOACTION Sp. z o.o. and Action Internet Sp. z o.o.

Other subsidiaries (Prologic Sp. z o.o., Actina Sp. z o.o., SFK Sp. z o.o., A.PL Sp. z o.o.,

ACTION Ukraina TzOW, Sferis Sp. z o.o.) are systematically working to expand their business.

The trade policy of the Group, particularly its parent company (maintaining a share in the sales of key product categories and its choice of markets and suppliers) indicate a substantial variety of products offered, customers and suppliers, which has a positive influence on the liquidity of the Company and the Group and prevents it from becoming dependent upon any specific supplier or customer. The Group develops its target markets through its subsidiaries, branches and regional sales representatives.

The Company and its related entities secures appropriate level of financing by means of credit agreements with several different banks. In addition, the parent company continues to implement its investment plans (by expanding its warehouses and developing its retail chain in Ukraine), which will have influence over the further growth of the Group.

In the view of the Supervisory Board, the data presented by the statements which are subject to this review allow concluding that the present condition of the ACTION S.A. Capital Group is very good.

Warsaw, 25 November 2008

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