

Report of the Supervisory Board of 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 2014

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 2014, the consolidated financial statements of the ACTION Capital Group for financial year 2014 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 2014;
- 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 2014, 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 2014: PLN 5,445,189 thousand;

Operating profit in 2014: PLN 92,330 thousand;

Net profit in 2014: PLN 69,922 thousand;

The Management Board indicated that in the financial year 2014 the Capital Group recorded an increase of sales income compared to 2013 by 14.66%. Net profit margin reached 1.28%.

The Management Board underlined the fact that the above figures indicate the continued (maintained over the years) growth trend in sales in 2014 despite the poor situation on the retail market and the reported bankruptcies of several large market players.

A consistently implemented growth strategy and the generated financial results allow the expectation that the stable growth of all profitability and sales figures will continue in the next year.

While indicating the above ratios of the Capital Group, the Management Board of the Company also underlined that the consistently pursued strategy of development and the financial results achieved by the Capital Group 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 ACTION S.A. and the Group are the major reasons confirming this thesis:

- a) closer collaboration and reaping of benefits from working with leading suppliers, such as Samsung (strategic partnership agreement), Lenovo, HP and many others;
- b) further growth of activities 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) greater activity in tenders and Enterprise in connection with the disbursement of further tranches of EU funds;
- 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 expansion of the logistics centre in Zamienie as a competitive advantage;
- g) maintaining a wide base of customers representing all sales channels;
- h) maintaining strict current monitoring of costs in the Company and in the Group;
- i) current monitoring and active management of the working capital;

j) further performance optimisation in the ACTION Capital Group companies through 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 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 the 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 Companies of the Group;
- 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 the structure of assets and equity and liabilities in the consolidated statement of financial position, including the following data:

Liquidity ratios	31/12/2014	31/12/2013
Current ratio (current assets / current liabilities)	1.29	1.19
Quick ratio (liquid current assets / current liabilities)	0.73	0.75
Cash ratio (short-term investments / current liabilities)	11.75%	4.47%

The Management Board underlined the fact that the liquidity ratios of the Group have remained at high levels for a long period of time. It was also indicated that in 2014, there was a noticeable improvement in the current ratio and the cash ratio. The quick ratio remained, however, at approximately the same level.

Level and structure of working capital in PLN '000	Exchange	31/12/2014	31/12/2013
1. Current assets	25.13%	1,258,416	1,005,706
2. Cash and securities	202.96%	114,323	37,735
3. Adjusted current assets (1-2)	18.19%	1,144,093	967,971
4. Current liabilities	15.21%	973,220	844,722
5. Short-term loans	146.47%	189,411	76,851
6. Adjusted current liabilities (4-5)	2.08%	783,809	767,871
7. Working capital (1-4)	77.16%	285,196	160,984
8. Demand for current assets (3-6)	80.05%	360,284	200,100
9. Net cash (7-8)	91.96%	-75,088	-39,116
10. Equity share in financing the current assets (7 : 1) in %	7%	23%	16%

The Management Board underlined the fact that in 2014 there was a temporary increase in working capital, which was attributable to:

- 1) The Company's purchase of a significant number of LFD monitors as part of its strategic partnership with Samsung Electronics Polska, financed by the supplier;
- 2) purchase of large quantities of goods required for tendering procedures, fully invoiced in January and February 2015;
- 3) significant increase in cash as a result of major repayments of receivables before the end of the year;
- 4) changes in the Group's structure and the resulting greater extent of the Group's consolidation.

The factors described in items 1) and 2) above were the result of the Company implementing higher margin projects. 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 Management Board indicated that the actions taken by the Group with regard to working capital allow the Group to maintain its financial capabilities and should lead to exceptional profitability.

In the report on operation the Management Board presented the Group's debt ratios in financial year 2014, which were as follows:

Debt ratios	31/12/2014	31/12/2013
Total debt ratio	76.37%	73.87%
Net debt ratio*	74.36%	72.99%

*(liabilities - cash)/(assets - cash)

While assessing the above figures, the Management Board concluded that the Group's debt ratios increased slightly, which was due to a successful issue of 3-year bonds with a value of PLN 100,000 thousand and an investment loan raised to finance the expansion of the logistics centre in Zamienie. In the opinion of the Management Board, this situation is typical for investment periods and is of a temporary nature.

The percentage structure of the consolidated balance sheet as of 31 December 2014 and 31 December 2013 is as follows:

	31.12.2014		31.12.2013	
ASSETS				
Non-current assets	203,398	13.91%	148,534	12.87%
Tangible fixed assets	174,441	11.93%	124,532	10.79%
Company value	17,500	1.20%	13,994	1.21%
Other intangible assets	4,071	0.28%	2,925	0.25%
Investment property	3,545	0.24%	3,545	0.31%
Financial assets	0	0.00%	0	0.00%
Share in associates measured under the equity method	2,830	0.19%	2,612	0.23%
Deferred income tax assets	111	0.01%	5	0.00%
Trade and other receivables	900	0.06%	921	0.08%
Current assets	1,258,416	86.09%	1,005,706	87.13%
Inventories	551,322	37.71%	369,599	32.02%
Trade and other receivables	592,548	40.54%	593,823	51.45%
Current income tax receivables	19	0.00%	11	0.00%
Derivative financial instruments	0	0.00%	0	0.00%
Other financial assets	204	0.01%	4,538	0.39%
Cash and cash equivalents	114,323	7.82%	37,735	3.27%
Total assets	1,461,814	100.00%	1,154,240	100.00%

EQUITY				
Equity attributed to Company's Shareholders	345,067	23.61%	299,153	25.92%
Share capital	1,661	0.11%	1,661	0.14%
Share premium	58,112	3.98%	58,112	5.03%
Other reserve capitals	30,000	2.05%	30,000	2.60%
Retained earnings	258,983	17.72%	208,267	18.04%
Currency translation differences (foreign operations)	-132	-0.01%	-117	-0.01%
Other components of equity	-3,557	-0.24%	1,230	0.11%
Minority interest / Controlling interest	384	0.03%	2,458	0.21%
Total equity	345,451	23.63%	301,611	26.13%
LIABILITIES				
Non-current liabilities	143,143	9.79%	7,907	0.69%
Loans, borrowings and other financing liabilities	136,181	9.32%	3,715	0.32%
Trade and other liabilities	0	0.00%	1,020	0.09%
Deferred income tax provision	6,962	0.48%	3,172	0.27%
Current liabilities	973,220	66.58%	844,722	73.18%
Trade and other liabilities	778,624	53.26%	760,393	65.88%
Loans, borrowings and other financing liabilities	189,411	12.96%	76,851	6.66%
Current income tax liabilities	4,031	0.28%	6,568	0.57%
Employee benefit liabilities	1,154	0.08%	869	0.08%
Derivative financial instruments	0	0.00%	41	0.00%
Provisions for other liabilities and other encumbrances	0	0.00%	0	0.00%
Total liabilities	1,116,363	76.37%	852,629	73.87%
Total equity and liabilities	1,461,814	100.00%	1154240	100.00%

Description of assets:

As in 2013, the Group's assets were largely made up of current assets, accounting for 86% of the total assets at the end of 2014. Current assets included inventory, receivables and cash, accounting for 37.7%, 40.5% and 7.8% of the total assets respectively. The changes in the structure of current assets and their reasons are described in the analysis of the working capital (see description of the second table in this section).

The remaining assets, i.e. non-current assets, accounting for less than 14% of the balance sheet total, are dominated by property, plant and equipment. The 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 liabilities:

As in the previous years, the share of equity in total sources of financing remained at a high level of 23.6% for commercial companies at the end of 2014. It decreased slightly compared to 2013 as a result of investment and long-term debt raised.

For years the Group's main source of financing has been short-term liabilities, in particular trade liabilities, whose share at the end of 2014 was 53.3% of total equity and liabilities. The decrease in this item's share compared to the previous year resulted from long-term debt items in the balance sheet, whose share in the balance sheet total increased by 9.1 p.p. over the previous year. The share of short-term debt due to interest amounted to 12.96%, which was an increase by 6.3 p.p. compared to a year earlier.

In the opinion of the Management Board, the above figures confirm that the Company's situation is safe and stable. The Management Board underlined the fact that the changes observed in the structure of assets are typical for investment periods.

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, indicating that they include only contingent receivables and liabilities. As of 31 December 2014, the Company held collaterals for repayment of receivables of PLN 11,503 thousand.

The security liabilities resulting from agreements signed as of the reporting date and not reflected in the Financial Statements of ACTION S.A. amounted to PLN 49,738 thousand as at 31 December 2014 and PLN 30,729 thousand as at 31 December 2013.

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 the 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 were 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 2014 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., ACTION EUROPE GmbH (former DEVIL GmbH) and LAPADO Handelsgesellschaft GmbH, kept their account books in line with the accounting policy (principles) determined by the Accounting Act dated 29 September 1994 and the 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. ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH keep their account books in accordance with German accounting laws.

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

- the consolidated statement of comprehensive income for the period from 1.01.2014 to 31.12.2014, with net profit attributable to the Shareholders of the parent entity amounting to PLN 69,922 thousand and comprehensive income attributable to the Shareholders of the parent entity amounting to PLN 65,120 thousand;

- the consolidated statement of financial position as at 31 December 2014, showing the total balance of assets and equity and liabilities of PLN 1,461,814 thousand,
- the statement of changes in the consolidated equity for the period from 1.01.2014 to 31.12.2014, showing PLN 354,451 thousand at the end of the period, which constitutes an increase in equity by PLN 43,840 thousand;
- the consolidated cash flow statement for the period from 1.01.2014 to 31.12.2014, showing PLN 114,323 thousand at the end of the period, which constitutes an increase in net cash by PLN 76,588 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.

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 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 and the Capital Group, information provided to the Investors and the requirements connected with the investments carried out by the Company.

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

As at 31 December 2014, the Capital Group comprised the following entities:

Parent:

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. with its registered office in Warsaw – indirect subsidiary (99.89%)¹

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

ACTION ENERGY Sp. z o.o. with its registered office in Kraków – associate (24 %) ³

ACTION GAMES LAB S.A. (formerly: MOBISTYLE Sp z o.o. and ACTION INVESTMENTS Sp. z o.o.), with its registered office in Zamienie – subsidiary (40%)⁴

ACTION CENTRUM EDUKACYJNE Sp. z o. o. with its registered office in Warsaw - associate (25.94%)⁵

SYSTEMS Sp. z o. o. with its registered office in Warsaw – indirect associate (25.94%)⁶

ACTIVEBRAND Sp. z o.o. with its registered office in Zamienie - subsidiary (100%)⁷

ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany) – subsidiary (100 %) ⁸

RETAILWORLD Sp. z o.o. with its registered office in Stara Iwiczna - indirect subsidiary (99.89%)⁹

LAPADO Handelsgesellschaft GmbH, with its registered office in Potsdam – indirect subsidiary (51%)¹⁰

ACTIONMED Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)¹¹

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

² GRAM.PL Sp. z o.o. with its registered office in Warsaw was consolidated on 28 May 2009, and on 18 December 2009 the share amount was raised to 80%. On 24 May 2010, the share amount was increased to 100% as a result of an agreement on the purchase of interests.

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

⁴ ACTION GAMES S.A. 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. and MOBISTYLE Sp. z o. o.

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

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

⁷ ACTIVEBRAND Sp. z o.o. with its registered office in Zamienie was established on 3 September 2012.

⁸ ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany), was consolidated as of 8 July 2013.

⁹ RETAILWORLD Sp. z o.o. with its registered office in Stara Iwiczna was consolidated on 18 November 2013.

¹⁰ LAPADO Handelsgesellschaft GmbH with its registered office in Potsdam (Germany) was consolidated on 1 January 2014.

¹¹ ACTIONMED Sp. z o.o. with its registered office in Zamienie was consolidated on 19 December 2014.

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

On 24 January 2014 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). The Company was consolidated as of 1 January 2014.

On 1 April 2014 ACTION S.A. 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). As a result of this transaction, ACTION S.A. reached 100% of interests in that company.

On 23 April 2014, ACTION S.A. acquired 3,900 out of the 9,900 newly created non-preference interests in the increased share capital of ACTION GAMES LAB Sp. z o.o. Since a portion of the newly created interests are preference interests, the Company's share in the share capital decreased to 40% (25% of votes at the company's shareholders' meeting).

On 19 December 2014 ACTION S.A. acquired 100% of the shares in the newly created company ACTIONMED Sp. z o.o.

Third party shares in subsidiaries:

1. SFERIS Sp. z o.o. - 0.11%, including Piotr Bieliński at 0.055%, Anna Bielińska at 0.055%;
2. LAPADO Handelsgesellschaft GmbH - 49% shares - Jacek Mońko;
3. ACTION GAMES LAB S.A. – 60% of shares giving right to exercise 75% of votes at the company's general meeting are held by Piotr Bieliński.

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 the needs of 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. ACTION GAMES S.A. (former name: MOBISTYLE Sp. z o.o.), apart from providing advertising services, began to manufacture computer games. 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. ACTION EUROPE GmbH (former name DEVIL GmbH) conducts distribution activities in the wholesale of IT products and household appliances. RETAILWORLD Sp. z o.o. concentrates on the wholesale of IT equipment and IT accessories to foreign customers. ACTIONMED Sp. z o.o. commenced operations in the wholesale of IT equipment and medical accessories as well as the sale of services.

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

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

The Company, as part of capital investments, acquired (purchased) shares or stock available due to the above changes in the composition of the Group. 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.

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 in 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. 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 is sufficient to consider that the Group's current standing as very good.

Warsaw, 14 May 2015