

MANAGEMENT REPORT OF ACTION S.A. (Company/Issuer) ON OPERATIONS IN 2014

1. Basic figures and development prospects for the next business year

In the business year 2014 the Company ACTION S.A. reported sales revenues of PLN 4,852,609 thousand, an operating profit of PLN 92,215 thousand and a net profit of PLN 69,503 thousand. Compared to the previous year, this constituted an increase of 4.88% for revenues, 10.58% for operating profit and 10.73% for net profit.

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 participants.

The consistently pursued strategy of development and the financial results achieved by the Company allow us to expect that stable growth at all levels of profitability and sales will also be maintained in the subsequent year.

In the Management Board's opinion, the main factors influencing the fulfilment of the forecasts are:

Regarding internal factors:

- 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 activity in the handling of tenders and Enterprise in connection with the release of subsequent tranches of EU funding,
- e) further expansion onto 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.

Regarding external factors:

- 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.

2. Material risk factors connected with the activities of the Company

2.1. Risk factors related to the Company's operation

2.1.1. Stock maintenance risk

The Company's core business consists in selling technologically advanced products which are naturally exposed to the risk of becoming outdated, causing a decrease in their values. By launching new models, producers reduce the prices of products already available on the market. Due to the price protection clauses in agreements with suppliers and the standing market practice in this scope, the Company receives compensation for losses related to the decrease of stock value from all key suppliers. Regardless of benefits obtained from price protection mechanisms, the Company strives to ensure high rotation of maintained stocks.

2.1.2. Risk of losing receivables

Trade receivables are the most significant item in terms of value in the Company's assets. As any entity involved in trading, the Company is exposed to the risk of losing some of its receivables. This risk increases as the economic slowdown advances on the domestic and global markets. Having regard to the potential loss of receivables, the Company takes out insurance against this risk with leading insuring companies.

Detailed information regarding financial instruments in the scope of:

- a) price risk, credit risk, cash flow risk and liquidity risk, to which the entity is exposed,
- b) financial risk management objectives and methods adopted by the entity, including the methods which are used to hedge major types of forecasted transactions in respect of which hedge accounting method is used,

was included in Note 31 *Financial Instruments* and Note 26 *Hedge Accounting* of the *Separate Financial Statement*.

2.2. Risk factors related to the environment in which the Company operates

2.2.1. Risk related to the macroeconomic situation in Poland

The macroeconomic ratios of the Polish economy and its growth rate have a material impact on the value and trends observed on the IT equipment distribution market. Dealers' willingness to buy new IT equipment and consequently the value of purchases carried out by the Company's customers is to a large extent related to the GDP growth, the level of investments and the way in which retail customers perceive the market situation. Nonetheless, the current and projected rate of economic growth may negatively affect the demand for the IT equipment offered by the Company.

2.2.2. Foreign exchange rate risk

The Company is exposed to the risk of changes in foreign currency exchange rates. ACTION S.A. obtains over 55% of its sales revenues in Polish zloty while about 60% of goods are imported. Payments for imported goods are made mainly in EUR and in USD. This currency structure of cash flows results in foreign exchange risk. The risk is proportionally higher for changes observed on the foreign exchange market. The Company strives to minimise the foreign exchange risk and in 2011 it adopted the Foreign Exchange Risk Management Policy. The principles of f/x risk management set forth in the policy the indicated optimum hedging levels in relation to existing currency items and the related monitoring and control system based on three units. In accordance with the adopted accounting principles, the Company has undertaken to maintain hedges at a level close to 100% of the open foreign exchange position.

2.2.3. Legal environment risk

Changing legal provisions or various interpretations thereof pose a threat to the operations of ACTION S.A. Certain amendments to the provisions of the law may have a negative impact on the Company's operations. Such amendments may affect the legal environment of the Company's operations to a considerable degree. The coming into force of a new regulation of material importance for trading may involve interpretation ambiguities, inconsistent decisions of the courts or unfavourable interpretations adopted by public administration authorities, etc.

2.2.4. Tax Policy Risk

The Polish tax system is characterised by frequent changes in the tax regulations. Many of these are not structured precisely enough and there are no clear interpretations. Interpretations of tax provisions are subject to frequent change and, unfortunately, tax-related decisions made by both fiscal authorities and courts are inconsistent. As a result of divergent interpretations of tax regulations, a Polish company incurs greater risk than a company operating under more stable tax systems. In such circumstances the Company's operation and its tax recognition in income statements and tax returns may be deemed at variance with the tax regulations by the fiscal authorities. However, it is anticipated that the two-instance proceedings implemented at administrative courts and the *acquis communautaire* will contribute significantly to the uniformity of court decisions in tax cases and, as a result, to the uniform application of the tax law, including by fiscal authorities. One of the elements of the risk related to legal regulations concerns the limitation period established for tax liabilities, which involves the possibility of verifying whether the tax liabilities for the relevant period were calculated in a correct manner. Income statements specifying the amount of the tax liability and the amount of payments made may be verified by way of control by the fiscal authorities at any time during the five years from the end of the year during which the tax payment date passed. In the event that the fiscal authorities interpret the tax regulations on the basis of which the tax liability is calculated differently than the Company, it may have a material negative impact on the Company's operations, its financial standing and consequently on its results and growth prospects.

3. Corporate governance policies

ACTION S.A. is subject to the corporate governance principles: "Code of Best Practice for WSE Listed Companies" adopted by Resolution No. 12/1170/2007 of the Warsaw Stock Exchange of 4 April 2007, the text hereof is included in the annex to the above mentioned resolution. Corporate governance principles are available on the WSE website (www.corp-gov.gpw.pl) and the Company's website (www.action.pl). Application of these principles is voluntary.

The statement concerning the application of corporate governance principles by ACTION S.A. in 2014, constituting an appendix to this Report, shall be published as a separate component of the Annual Report.

4. Identification of material proceedings pending before a court, competent arbitration authority or public administration authority

As of the day of submitting this Report, no proceedings were ongoing at any courts, authorities competent for arbitration proceedings or public administration authorities in relation to the Company's liabilities or receivables whose value, determined separately for individual proceedings and in total for all the proceedings, would represent at least 10% of the Company's equity.

5. Information on the basic commodity lines offered by the Company and their share in the total sales

The basic scope of the Company's activity is the distribution of computer hardware and software. The Company's sales volume reflects the market situation and customers' needs. Based on long-standing market experience, the Company flexibly reacts to any changes that occur in the demand structure in order to meet the constantly increasing requirements of its customers. The sales structure is presented in the table below.

Item No.	Name of Group	Sales value in 2014	%	Sales value in 2013	%
1	Ready solutions	1,467,949	30.25%	1,533,777	33.15%
2	Consumer electronics	2,181,101	44.95%	2,037,350	44.03%
3	Components	782,698	16.13%	578,890	12.51%
4	Peripherals	140,186	2.89%	146,417	3.16%

5	Consumables and office supplies	150,850	3.11%	228,024	4.93%
6	Software	108,723	2.24%	86,600	1.87%
7	Other	21,100	0.43%	15,767	0.34%
	Total revenues from the sales of products, goods and materials	4,852,609	100.00%	4,626,825	100.00%

6. Information on target markets

The Group's basic market is the domestic distribution market of computer hardware and software. In 2014 it generated 59.9% from net sales of goods and materials. The sales structure by territory in 2014:

Net revenues from the sales of goods and materials (by territory) in thousand zloty	Exchange	2014	2013
1. domestic sales – sales of goods	-3.94%	2,855,879	2,973,019
- including: to related parties	-20.12%	177,560	222,289
2. exports – sales of goods	-7.86%	386,346	419,323
- including: to related parties		0	0
3. EU supplies	30.79%	1,524,928	1,165,916
- including: to related parties	471.54%	242,795	42,481
Total net revenues from the sales of goods and materials	4.58%	4,767,153	4,558,258
- including: to related parties	58.76%	420,355	264,770

Both the structure of the Company's recipients and suppliers show a large dispersion. The only customer whose share in the total value of sales reached nearly 10% is Samsung Electronics Polska Sp. z o.o. There are no formal links between the Company and Samsung Electronics Polska Sp. z o.o. other than those following from concluded trade agreements.

7. Information on concluded agreements that are significant for the Company's operation

Within the basic scope of its activity, the Company is in stable trade relations (agreements for sale and purchase of goods) with numerous recipients and suppliers of goods. In the vast majority of cases the Company does not conclude separate agreements but makes trade transactions based on separate (individual) orders confirmed with invoices.

Within the period covered by the Report the following significant agreements were concluded:

- 1) Annex no. 5 to Master Agreement no. 2010/101/DDF of 20 May 2010 states the total amount of guarantees and letters of credit granted by the Bank to the Issuer. According to this annex, the maximum amount of guarantees and letters of credit is PLN 21,000,000.00.
The term for the use of the granted limit for guarantees or letters of credit expired on 31 January 2015. The term for the use of the limit granted under Addendum no. 5 extended automatically up to 31 January 2016. The Agreement provides for two extensions, i.e. up to 31 January 2017, if the same conditions as those stipulated below with respect to Addendum 19 to the overdraft facility agreement are met. The guarantee shall not be valid beyond 31 January 2020 and, in the case of fulfilling conditions of automatic extension, beyond 31 January 2021 and 31 January 2022 subsequently.
Legal collaterals for future claims paid under the guarantees and letters of credit:
Issuer's declaration on voluntary submission to enforcement to the amount of PLN 54,000,000.00,

authorisation over bank accounts maintained by the Bank, and the common collateral also for the limit for guarantees, letters of credit and overdraft facility no. 2005/1006392654 of 14 June 2005 and subsequent amendments described in detail below.

- 2) Annex no. 19 of 11 February 2014 to overdraft agreement No. 2005/1006392654 was concluded between ACTION S.A. and Bank Polska Kasa Opieki S.A. on 14 June 2005. On the basis of the above annex, the Bank extended the multi-currency revolving overdraft facility advanced to the Issuer in Polish zlotys (PLN) or in American dollars (USD) or in euro (EUR) and it remains unchanged and does not exceed PLN 100,000,000; however, the overdraft facility may be used up to the amount of PLN 50,000,000 in USD, EUR or PLN and the remaining part thereof will be used only in PLN. The Issuer was allowed to use the overdraft facility up to 31 January 2015 and, in the case of fulfilling conditions of double automatic extension, up to 31 January 2016 and 31 January 2017 respectively. The conditions allowing the extension of the period of use of the overdraft facility were fulfilled and the period extended up to 31 January 2016. The aforementioned dates constitute final overdraft facility repayment deadlines. Automatic extension depends on fulfilling the Issuer's conditions regarding: no violations of the agreement, consents required to incur liabilities and no public law liabilities. Legal collaterals for the overdraft payment and guarantees and letters of credit are: power of attorney to bank accounts kept in the Bank, Issuer's declaration on voluntary submission to enforcement to the amount of PLN 150,000,000; (for overdraft facility) and common collateral for the overdraft and for the guarantees and letters of credit granted under Master Agreement No. 2010/101/DDF of 20 May 2010 with subsequent amendments: registered pledge on warehouse stock up to the overdraft facility granted in the amount of PLN 100,000 thousand along with the transfer of rights to the insurance contract; assignment of commercial receivables in the minimum amount of PLN 35,000,000.
- 3) Agreement no. 115/14/PLM/U was concluded between the Issuer and Przedsiębiorstwo Usługowo – Produkcyjne TELKA Sp. z o.o (a service and manufacturing company) with its registered office in Białystok. The Agreement increased the total value of agreements concluded within the last 12 months between the Issuer and the above mentioned company and amounted to PLN 65,945,000 (VAT excluded), exceeding 10% of the Issuer's equity. The subject of this agreement was the implementation of an investment involving the construction of a building in Zamienie at ul. Dawidowska 10 by TELKA Sp. z o.o. (Contractor), according to the accepted architectural and construction design. The remuneration due for the implementation of the subject of the entire above-mentioned agreement shall be the lump sum remuneration of PLN 37,500,000.00. The completion date for the construction of the main warehouse hall shall be 15 June 2014, whilst the completion date of all finishing works under the agreement shall be 31 December 2014. The investment project was completed on time.
- 4) Investment Credit Agreement no. 2014/126/DDF (along with Annex no. 1 of 5 December 2014) concluded on 19 May 2014 between the Issuer and Bank Polska Kasa Opieki Spółka Akcyjna with its registered office in Warsaw, at ul. Grzybowska 53/57. Under the Agreement, the above Bank will advance to the Issuer a non-revolving investment credit facility in the amount of PLN 50,000,000.00 to be used to:
 - Finance not more than 80% net of the outlays related to carrying out the investment task consisting in the construction of a high-bay warehouse, including full infrastructure (Hall III in ul. Dawidowska in Zamienie), hereinafter referred to as the "Project",
 - Refinance 80% of net outlays related to Project implementation, up to the amount of PLN 30,000,000.00. Credit facility utilisation date is 31 March 2015, while the date for final repayment of the credit facility is 31 December 2018.Legal collateral for the credit facility repayment:
 - Contractual capped mortgage, up to the amount of PLN 75,000,000.00, over the Issuer's real property located in the Municipality of Lesznów, in the District of Piaseczno, Land and Mortgage Register No. WA5M/00356713/3 (the "Real Property"),
 - Registered pledge over the Issuer's accounts, with first priority,
 - Authorisation over bank accounts maintained by the Bank,
 - Assignment of rights under the Real Property insurance agreement, for an amount not lower than the amount of the credit facility,
 - an assignment to the Bank of the rights under the insurance agreement against all risks for the Real Property and Hall III in ul. Dawidowska in Zamienie,

- an assignment to the Bank of the rights under the insurance agreement against all risks for the Real Property and Hall III in ul. Dawidowska,
 - Submission to enforcement up to the amount of PLN 75,000,000.00.
- 5) Annex no. 12 of 16 May 2014 to the Overdraft Facility, Guarantee and Letter of Credit Agreement No. 51/2009 of 29 May 2009 concluded by the Issuer and the Bank referred to above. Under Annex No. 12, the value of the total limit granted to the Issuer and enabling it to charge the transactions to the account despite the lack of funds did not increase and amounts to PLN 100,000,000.00, of which the overdraft facility and the limits for letters of credit and bank guarantees amount to PLN 60,000,000.00 and PLN 100,000,000.00, respectively. The deadline for the payment of overdraft facility was extended until 23 June 2015 as was the deadline for the payment of letters of credit until 17 March 2016 and the deadline for bank guarantees: for the guarantees of less than 13 months (previously, one year) until 22 June 2016, for the guarantees of less than 3 years, until 22 June 2018. The provision regarding the guarantees of less than 6 years has been deleted. The amount and form of overdraft facility collaterals have not been changed.
- 6) The Issue Agreement – ACTION S.A. Bonds Issue Programme for the total amount of PLN 100,000,000 was concluded between the Issuer and Bank Polska Kasa Opieki Spółka Akcyjna with its registered office in Warsaw. Under the above agreement, the Issuer has introduced the ACTION S.A. Bond Issue Programme on the following main principles (hereinafter: "Programme", "Bonds"):
1. Under the Programme, multiple issues of Bonds will be possible, with the total maximum value of the Programme (understood as the total nominal value of the unredeemed Bonds issued by the Issuer) amounting to PLN 100,000,000.
 2. The Bonds were issued as dematerialised bearer securities, in accordance with the Act on Bonds of 29 June 1995 (consolidated text: OJ L of 2001, No. 120, item 1300, as amended – hereinafter: "Act on Bonds").
 3. The Bonds were issued in accordance with Article 9.3 of the Act on Bonds (non-public issue), by means of a Bonds Purchase Offer made to not more than 149 individual persons.
 4. The Bonds issued under the Programme are not secured.
 5. Under the Programme, the Issuer may issue coupon Bonds, interest on which will be payable on the date of payment of the interest specified in the terms and conditions of the given issue of Bonds. Coupon Bonds may be issued as bonds with a maturity period of more than 1 year.
 6. The terms and conditions of the issue of Bonds contain provisions regarding the introduction of the Bonds to trading on the CATALYST market operated by Giełda Papierów Wartościowych S.A. or BondSpot S.A. as an alternative trading system.
- Under the above agreement, Bank Polska Kasa Opieki Spółka Akcyjna carried out the agreed actions in terms of organising, offering, registering, and settling of the Bonds.
- 7) Annex no. 13 of 6 June 2014 to the Overdraft Facility, Guarantee and Letter of Credit Agreement No. 51/2009 of 29 May 2009 concluded by the Issuer and HSBC Bank Polska. Under Annex No. 13, the value of the total limit granted to the Issuer and enabling it to charge the transactions to the account despite the lack of funds on the account and to open letters of credit and guarantees did not change and amounts to PLN 100,000,000.00. However, the sub-limit value of overdraft facility has been changed and it amounts to PLN 80,000,00.00 against the previous amount of PLN 60,000,00.00. Sub-limits for letters of credit and bank guarantees have not been changed and continue to stand at PLN 100,000,000.00. The remaining provisions of the agreement (including type and value of collaterals) have not been changed.
- 8) The Multi-Purpose Credit Limit Agreement concluded on 25 July 2014 between the Issuer and Bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw. Pursuant to this agreement, the abovementioned Bank granted to the Issuer a credit limit (further referred to as the "Limit") of PLN 50,000,000.00 Within the Limit the Bank:
- granted to the Issuer a credit in the current account in PLN, EUR, and USD currencies to fund its current operations,
 - granted to the Issuer a revolving credit in PLN, EUR, and USD currencies to execute payments under open documentary letters of credit or bank guarantees granted by the Bank,
 - enabled the Issuer to commission the Bank to issue bank guarantees and to open documentary letters of credit.
- The Limit may be used until 24 July 2015.

Legal collateral for the credit repayment within the Limit consists of:

- 1) registered pledge on commercial goods of the Issuer of PLN 30,000,000,
 - 2) multilateral agreement of assignment of rights from the insurance policy against fire and other perils for the abovementioned stocks of the Issuer of no less than PLN 30,000,000,
 - 3) assignment of commercial receivables of the Issuer of up to PLN 25,000,000,
 - 4) a blank promissory note of the Issuer with a promissory note declaration,
 - 5) a declaration of submission to enforcement under the promissory note and the credit agreement,
 - 6) a set-off clause which allows the deduction of liabilities from the current account and accounts of the Issuer kept by the Bank granting the Limit,
 - 7) declaration on submission to enforcement of property – applicable for registered pledge on stocks.
- 9) Agreement no. ACK-DA-ZP-5000-4/14 of 20 October 2014 concluded with the University of Science and Technology in Kraków, Academic Computer Centre Cyfronet AGH. The Issuer concluded the above agreement as a member of a consortium established to place a bid for a public procurement contract pursuant to Article 23 of the Public Procurement Law – with Megatel Sp. z o.o. Sp. k. with its registered office in Kraków.
Pursuant to this agreement, the Issuer together with Megatel Sp. z o.o. Sp. k. with its registered office in Kraków (as the contractor) undertook with respect to the University of Science and Technology in Kraków, Academic Computer Centre Cyfronet AGH (as the contracting authority) to deliver, install and launch a cluster of computing servers directly cooled with liquid for the needs of the PLGrid Plus and PLGrid CORE projects. In turn, the contracting entity undertook to compensate the contractor in an amount of PLN 41,049,000 (gross). The remuneration will be paid within 30 days of receiving the VAT invoice. The above agreement has been concluded after selecting a bid in a public procurement procedure and its provisions do not differ from standard provisions included in such agreements.
- 10) A strategic partnership agreement for the market digitisation project of 18 November 2014 concluded between the Issuer and Samsung Electronics Polska Sp. z o.o., with its registered office in Warsaw. Pursuant to this agreement, Samsung Electronics Polska Sp. z o.o. sold to the Issuer, for onward sale, Samsung LFD Screens and a hotel TV system worth PLN 65,292,000.00.
- 11) Annex no. 20 of 4 December 2014 to the Overdraft Facility Agreement no. 2005/1006392654 of 14 June 2005 concluded between ACTION S.A. and the Bank Polska Kasa Opieki S.A. Pursuant to this annex, the Bank increased the availability of the overdraft limit for all currencies (PLN, USD, EUR). From the moment of signing the relevant annex, the overdraft limit for the aforementioned currencies amounts to PLN 100,000,000.00.

8. Information on equity relationship and specification of the major equity investments

ACTION S.A. forms ACTION S.A. Capital Group in which it is the Parent Entity. The Capital Group's scope of activities covers wholesale of computer and IT components, parts and devices. The Capital Group conducts its operations within the whole territory of Poland, and ACTION S.A. is the main supplier of goods, including for the Group's companies.

In the period covered by the Report the following entities were members of the Group:

parent:

ACTION S.A. based 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. (former name MOBISTYLE Sp. z o.o., initial name 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 (former name DEVIL 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 (Germany) - 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 was raised to 80%. On 24 May 2010 the interest was raised to 100% by way of a share purchase agreement.

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

⁴ ACTION GAMES LAB S.A. (former name MOBISTYLE Sp. z o.o., initial name ACTION INVESTMENTS Sp. z o.o., former legal form Sp. z o.o.) with its registered office in Zamienie was established on 12 December 2011. On 14 February 2013 a change of name was entered into the National Court Register – former name: ACTION INVESTMENTS Sp. z o.o. On 15 November 2014 a change of the company's legal form was entered into the National Court Register.

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 (former name DEVIL GmbH) with its registered office in Braunschweig (Germany) was consolidated on 8 July 2013. On 1 April 2014 the interest was raised to 100% by way of the purchase of non-controlling shares (33.33%).

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. z 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).

On 23 April 2014, ACTION S.A. 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).

On 19 December 2014 ACTION S.A. acquired 100% of 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 0.055%, Anna Bielińska 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 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.

9. Major transactions with related entities concluded on non-market conditions

During the period covered by the report the Company did not conclude any transactions with related entities on non-market conditions.

Transactions with related entities are described in Note 28 to the Financial Statements.

10. Information on credits contracted, loan agreements and guarantees, and sureties granted for the Company

10.1 Credit agreement no. 2005/1006392654 concluded on 14 June 2005 with Bank Polska Kasa Opieki S.A. based in Warsaw (the Bank)

The Bank granted ACTION S.A. a revolving open overdraft facility amounting to PLN 100,000 thousand for the financing of its current operations. The overdraft limit may be used in the following currencies: USD, EUR or PLN. The Issuer is allowed to use the overdraft facility up to 31 January 2016 and, in the case of fulfilling conditions of automatic extension, up to 31 January 2017 respectively. The above date also constitutes the final overdraft facility repayment deadline.

10.2 Short-term credit agreement no. 2003/028 concluded on 6 November 2003 with Societe Generale S.A. (the Bank)

The Bank granted ACTION S.A. a short-term revolving overdraft facility amounting to PLN 30,000 thousand for financing its current operations. The deadline for credit repayment was agreed as of 29 May 2015; however, if the Bank does not terminate the above-mentioned agreement a month before the repayment deadline, it shall be automatically prolonged for the next 12 months. The procedure of prolonging credit repayment is effective for five consecutive years from 6 November 2012.

10.3 Overdraft facility and letter of credit agreement no. 51/2009 concluded on 29 May 2009 with HSBC Bank Polska S.A. (the "Bank")

HSBC Bank Polska S.A. with its registered office in Warsaw granted ACTION S.A. a limit of PLN 100,000,000 for financing its current operations. The limit includes the following sub-limits: overdraft facility of PLN 80,000,000, letters of credit and bank guarantees of PLN 100,000,000. The term of the overdraft facility was determined for 23 June 2015.

The letters of credit are to be repaid by 17 March 2016 and the bank guarantees:

- for guarantees of less than 13 months: until 22 June 2016,
- for guarantees of less than 3 years: until 22 June 2018.

10.4 The Multi-Purpose Credit Limit Agreement concluded on 25 July 2014 with the Bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw (the "Bank").

The Bank granted to the Issuer a credit limit (further referred to as the "Limit") of PLN 50,000,000.00 Within the Limit the Bank:

- granted to the Issuer a credit in the current account in PLN, EUR, and USD currencies to fund its current operations,
- granted to the Issuer a revolving credit in PLN, EUR, and USD currencies to execute payments under open documentary letters of credit or bank guarantees granted by the Bank,
- enabled the Issuer to commission the Bank to issue bank guarantees and to open documentary letters of credit.

The Limit may be used until 24 July 2015.

11. Information on loans, guarantees and sureties granted

11.1. Loan agreements

ACTION S.A. granted a loan of EUR 1,000 thousand maturing on 12 January 2015 to Lapado Handelsgesellschaft mbH.

ACTION S.A. granted a loan of PLN 1,500 thousand maturing on 30 June 2015 to GRAM.PL Sp. z o.o.

ACTION S.A. granted a loan of PLN 600 thousand maturing on 28 February 2015 to RETAILWORLD Sp. z o.o. The loan was paid in full before its maturity date.

ACTION S.A. granted two loans of EUR 1,000 thousand each maturing on 31 March 2015 to ACTION EUROPE GMBH.

11.2 Guarantees and sureties granted

Guarantees and sureties granted

As of 31 December 2014, the value of guarantees and sureties granted amounted to PLN 96,788 thousand, including:

towards other entities

Bank guarantees for the total amount of (USD 5,318 thousand) PLN 18,651 thousand;
Bank guarantees for the total amount of (EUR 96 thousand) PLN 410 thousand;
Bank guarantees for the total amount of PLN 4,000 thousand;
Performance bonds for the total amount of PLN 1,195 thousand;
Guarantee of payment of customs duties and taxes for the total amount of PLN 3,220 thousand;
Letters of credit relative to the supplies of goods totalling PLN 22,262 thousand.

towards related parties

Bank guarantees amounting to PLN 4,000 thousand,
Bank guarantees amounting to (EUR 50 thousand) PLN 175 thousand,
Bank guarantees amounting to (EUR 10,059 thousand) PLN 42,875 thousand.

12. Proceeds from the issue of shares

In 2014 the Company did not issue any shares.

On 4 July 2014, the Company issued 10,000 bearer, dematerialised, coupon, unsecured bonds series ACT01040717 with the nominal value of PLN 10,000 each and with the total nominal issue value of PLN 100,000,000 (hereinafter referred to as the "Bonds"). The bonds were issued pursuant to Article 9(3) of the Bonds Act (non-public issue) and under the Bonds Issue Program of ACTION S.A. The issue price of the Bonds was equivalent to their nominal value. The Bonds shall be redeemed on 4 July 2017 at the nominal value of the Bonds. The Bonds bear interest according to the variable interest rate based on WIBOR 6M, increased by a fixed margin. Interest shall be paid semi-annually.

Pursuant to the resolution of 3 September 2014 adopted by the Management Board of the Warsaw Stock Exchange and the resolution of the Management Board of BondSpot SA of 4 September 2014, the Bonds were introduced to trading on the CATALYST market. The bonds were registered in the National Depository for Securities on 5 September 2014 and designated with the code PLACTIN00034. On 9 September 2014 the Bonds were quoted on the above market for the first time.

In accordance with the previous declarations, the funds raised from the Issue of Bonds were partly used for financing of current operations. The remaining funds may also be used for financing of capital investments.

13. Information on the acquisition of equity shares

In 2014 the Company did not purchase any equity shares.

14. Explanation of differences between forecasts and figures disclosed in the Annual Report

The Company does not prepare result forecasts on the entity level.

15. Evaluation of financial resources management

Liquidity ratios	31/12/2014	31/12/2013
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 Company once again achieved very safe levels of liquidity ratios. The parameters of liquidity ratios in 2014 continued to improve significantly at the level of current ratio and quick ratio. The issue of bonds had a major impact on such ratio values.

Level and structure of working capital in PLN '000	Exchange	31/12/2014	31/12/2013
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 financing the current assets (7 : 1) in %	8 pp	23%	15%

The 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. It should be noted, however 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.

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

The debt structure analysis confirms a still 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.

16. Evaluation of the possibility of executing intended investments

Considering the Company's high creditworthiness as well as the value of profits generated, the Management Board has very positively assessed the possibility of carrying out potential intended investments. It should be mentioned, however, that after the completion of the investment projects carried out in 2014, the Management Board does not envisage further investments other than replacement or capital investments.

17. Evaluation of the factors and untypical events influencing the result of operations

The second half of the year saw a very dynamic weakening of PLN against USD and EUR, which was also accompanied by a high volatility of these currencies on the market. Despite the actions undertaken by the Company in connection with the mitigation of currency risk, these action still affected the result achieved by the Company.

18. Description of the external and internal factors significant for the Company's growth

Factors significant for the Company's growth are described in Section 1 to this Report.

19. Changes to the basic principles of the Company management

In 2014, the Company did not considerably change its management principles.

20. Agreements concluded between the Company and the persons managing it

Piotr Bieliński, President of the Management Board, has held his position pursuant to a resolution passed by the Supervisory Board. Possible compensation which may be due to the President of the Management Board in the case of dismissal is an equivalent to five-month's remuneration.

Edward Wojtysiak, Vice-President, performs his obligations on the basis of a "Management Contract" regulating the mutual relations connected with the performance of his obligations as Member of the Company's Management Board. This contract does not contain any provisions which might lead to changes in the shareholding structure in the future. This contract does not provide for any compensation in the case of removal from the Company's Management Board.

Sławomir Harazin, Vice-President of the Management Board, has held his position pursuant to a resolution passed by the Supervisory Board. The resolution did not stipulate any compensation in the case of his dismissal from the Company's Management Board.

21. Value of remunerations, awards or benefits for persons managing or supervising the Company

Remuneration of persons managing or supervising the Company is described in detail in Note 36 to the Financial Statements.

One Member of the Management Board of ACTION S.A. holds shares in related entities:

Mr. Piotr Bieliński holds the following shares:

- in SFERIS Sp. z o.o. - 15 shares (out of 27,993 shares) with the nominal value of PLN 16 thousand constituting 0.05% of the capital,
- in ACTION GAMES LAB S.A. – 60% of shares giving the right to exercise 75% of votes at the company's General Meeting.

22. Nominal value and total number of all the Company's shares

The Company has issued a total of 16,610,000 shares, including 11,910,000 series A shares, 4,500,000 series B shares and 200,000 series C shares with the nominal value of PLN 0.10 each and the total nominal value of PLN 1,661,000.

23. Information on agreements which may influence the current shareholder structure

On 15 November 2006 the Extraordinary Meeting of the Company's Shareholders passed a resolution on the issue of subscription warrants and excluding the right to subscribe for subscription warrants. In order to carry out its incentive programme, ACTION S.A. issued 547,000 registered subscription warrants entitling one to subscribe for C series shares on specific terms and conditions. The issue took place in December 2007 within a conditional increase of the share capital excluding the subscription right. The person entitled to subscribe for the warrants was the person covered by the incentive programme, the regulations of which had been passed by the Supervisory Board. The warrants were subscribed for by person duly authorised thereto and subsequently they were sold to a Member of the Management Board of ACTION S.A. The right to subscribe for C series shares arising from the subscription warrants may be exercised not later than on 31 December 2015 pursuant to Resolutions no. 3 and 5 of the Extraordinary General Meeting of ACTION S.A. of 21 December 2009.

24. Information on the systems of control of the employee stock option schemes

The Company does not have any employee share schemes.

25. Information concerning the entity authorised to audit Financial Statements

Detailed information concerning the entity authorised to audit Financial Statements was presented in Note 38 to the Financial Statements.

26. Expected development of the Company and its financial standing

In 2015, the Company expects to develop, in particular, through:

- sales growth in ACTION EUROPE GmbH – a company operating on the German market,
- sales growth on the tender market and Enterprise,
- development in new markets on the basis of distribution contracts concluded and expected,
- further development of its sales network,
- further development of its online sales,
- making better use of its warehousing and logistics facilities,
- capital acquisition investments.

Having implemented the assumptions specified above, the Management Board of ACTION S.A. expects to enhance sales at a rate not lower than the general market growth rate. The Company's advantageous financial situation is expected to be maintained.

Piotr Bieliński
CEO

Sławomir Harazin
Vice-President of the
Management Board

Edward Wojtysiak
Vice-President of the Management
Board

Warsaw, 23 March 2015