

MANAGEMENT REPORT OF ACTION S.A. (Company) ON OPERATIONS IN 2013

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

In the business year 2013 the Company ACTION S.A. reported sales revenues of PLN 4,626,825,000, an operating profit of PLN 83,389,000 and a net profit of PLN 62,768,000. When comparing the current results with those realised by the Company in the previous year, each of the above mentioned items showed a double-digit increase. Compared to the previous year, revenues from sales increased by 32.4%, operating profit by 23.8% and net profit by 30.6%.

The above figures indicate a continuation of the growing sales trend in 2013, occurring during the noticeable decline in the national economic activity plus still unstable economic and budget situation in most Eurozone countries.

Preliminary estimates for development prospects for 2014 suggest that sales will continue to grow and net return ratios will remain stable.

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

regarding internal factors:

- a) extension of the sales offer owing to entering into new distribution agreements, including, in particular, with Sony, HTC, Fujitsu, HGST, Lenovo and Huawei,
- b) international expansion – incorporation of Devil GmbH into Group structures,
- b) maintaining a wide base of customers representing all sales channels,
- c) planned development of activity in the area of high-volume recipients,
- d) a further increase in exports and intra-Community supplies,
- e) improving the high performance of warehousing through investments in increasing storage capacities and logistic processes,
- f) maintaining strict current monitoring of costs in the Company and in the Group,
- g) current monitoring and active management of working capital,
- h) further results optimisation in the ACTION S.A. Group entities through the improved use of their competences.

regarding external factors:

- a) economic situation in Poland and worldwide,
- b) budget situation in Poland and in Europe, especially activities aimed at reducing the public finance deficit,
- c) macroeconomic and political situation in the world,
- d) maintaining high demand for mobile IT devices.

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 receivables loss

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.

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 risk

The Company is exposed to the risk of changes in foreign currency exchange rates. ACTION S.A. obtains over 70% of its sales revenues in Polish zloty while about 50% of goods are imported. Payments for imported goods are made mainly in USD and in EUR. 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 exchanges risk and in 2011 it adopted the Foreign Exchange Risk Management Policy. The principles of f/x risk management set forth in the policy indicated optimum hedging levels with 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 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 that by 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.

A statement concerning the application of corporate governance principles by ACTION S.A. in 2013, 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 at 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.

1. 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 2013	%	Sales value in 2012	%
1	Ready solutions	1,533,777	33.15%	1,369,459	39.19%
2	Consumer electronics	2,037,350	44.03%	1,144,278	32.75%
3	Components	578,890	12.51%	498,236	14.26%
4	Peripherals	146,417	3.16%	179,970	5.15%
5	Consumables and office supplies	228,024	4.93%	199,864	5.72%
6	Software	86,600	1.87%	81,160	2.32%
7	Other	15,767	0.34%	21,382	0.61%
	Total revenues from the sales of products, goods and materials	4,626,825	100.00%	3,494,349	100.00%

2. Information on target markets

The Group's basic market is the domestic distribution market of computer hardware and software. In 2013 it generated 65.2% of net sales of goods and materials. The sales structure by territory in 2013:

Net revenues from the sales of goods and materials (by territory) in thousand zloty	Change	2013	2012
1. domestic sales – sales of goods	23.59%	2,973,019	2,405,541
- including: to related parties	19.51%	222,289	185,994
2. export – sales of goods	87.39%	419,323	223,768
- including: to related parties		0	0
3. EU supplies	46.47%	1,165,916	796,027
- including: to related parties	100.00%	42,481	0
Total net revenues from the sales of goods and materials	33.07%	4,558,258	3,425,336
- including: to related parties	42.35%	264,770	185,994

Both the structure of the Company's recipients and suppliers show a large dispersion. The only client whose share in the total revenues from 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.

3. 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) Annexes no. 6 and 7 to Factoring Contract no. SEB/CF 412/12 of 6 February 2012 concluded between ACTION S.A. and SEB Commercial Finance Sp. z o.o. based in Warsaw (hereinafter: SEB CF). Based on the above Contract, the Parties agreed on terms to acquire non-matured cash receivables of the Issuer by SEB CF. As a result of concluding these annexes:
 - a) The maximum factoring limit granted to the Issuer amounts to PLN 80,000,000. – Annex no. 6
 - b) The Contract was extended until 31 October 2014. – Annex no. 7
- 2) Annex no. 10 of 17 May 2013 to Agreement on Overdraft, Guarantees and Letters of Credit No. 51/2009 concluded between ACTION S.A. and HSBC Bank Polska on 29 May 2009. Pursuant to the annex the value of the total overdraft limit granted to the Issuer and the limit for guarantees and letters of credit was increased from PLN 60,000,000 to PLN 70,000,000. The limit includes the following sub-limits: overdraft facility of PLN 50,000,000, letters of credit and bank guarantees of PLN 60,000,000. Pursuant to the above Annex, the term of the overdraft facility was prolonged until 23 May 2014, for letters of credit until 17 February 2015 and for bank guarantees:
 - not longer than one year: until 22 May 2015;
 - not longer than three years: until 23 May 2017;
 Due to the increase in the total limit, the value of the following collateral has also been changed: Issuer's declaration on the submission to execution up to the maximum amount of PLN 105,000,000; assignment of receivables due to the Issuer from contractors at a level not lower than PLN 35,000,000.

- 3) Addendum no. 3 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 addendum, the maximum amount of guarantees and letters is PLN 11,000,000.00. The limit shall be automatically increased to PLN 21,000,000.00 provided that the Bank receives a statement from the Company, stating that the amount of securities for debt raised with other banks (including a registered pledge on warehouse stocks and an assignment of trade receivables) does not exceed the amount of securities established for debt due to Bank Polska Kasa Opieki S.A. The term of the limit granted to issue guarantees or open letters of credit expires on 31 May 2014. The Guarantee shall not be valid beyond 30 November 2017. This is the deadline for the repayment of the actual amounts of the letters of credit.
- 4) Annex no. 18 of 27 May 2013 to Overdraft Agreement No. 2005/1006392654 concluded between ACTION S.A. and Bank Pekao S.A. on 14 June 2005. On the basis of the above annex, the amount of the multi-currency revolving overdraft facility advanced to the Issuer in Polish zlotys (PLN) or in American dollars (USD) or in euro (EUR) 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 may use the overdraft facility up until 31 May 2014 which is the final day for its repayment.

Legal securities for repayment of the overdraft, guarantees and letters of credit include: 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 PLN 31,500,000 (for guarantees and letters of credit); registered pledge on warehouse stock in the amount of the advanced overdraft facility of PLN 111,000,000 (while PLN 166,500,000 is the highest amount of collateral) along with the transfer of rights to the insurance contract; assignment of commercial receivables in the amount of minimum PLN 35,000,000.

- 5) Annex no. 1 to Agreement for the Assignment of Rights under Insurance Contract no. 2012/254/DDF of 17 September 2012 concluded between ACTION S.A. and Bank Polska Kasa Opieki S.A. The agreement was concluded to secure claims of the aforementioned Bank in relation to granting the following credit facilities to the Issuer: a) an overdraft facility of PLN 100,000,000 with interest, fees and other payables arising from Overdraft Facility Agreement no. 2005/10063923654 of 14 June 2005 as amended, b) an investment facility of PLN 12,000,000 with interest, fees and other payables arising from Investment Facility Agreement no. 2008/1018042923 of 9 April 2008 as amended; c) guarantees and letters of credit up to the amount of PLN 11,000,000 and, after meeting the conditions set forth in Addendum no. 3 to Master Agreement no. 2010/101/DDF of 20 May 2010, up to PLN 21,000,000. Pursuant to Agreement no. 2012/254/DDF, the Issuer shall assign to the Bank rights to indemnities arising from the concluded insurance contract, confirmed by insurance policy no. 280000049557 issued by Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. with its registered office in Sopot, valid until 7 August 2013 and covering the following: a) stock – goods stored in Zamienie, ul. Dawidowska 10 - up to PLN 111,000,000 and, after meeting the conditions set forth in Addendum no. 3 to Master Agreement no. 2010/101/DDF of 20 May 2010, up to PLN 121,000,000, and b) buildings and structures in Zamienie, ul. Dawidowska 10 – up to 12,000,000 with a reservation that if the facility is repaid by the deadline specified in the Facility Agreement, claims will be assigned back.
- 6) Annex no. 2 of 1 July 2013 to Investment Facility Agreement No. 2008/1018042923 of 9 April 2008. Pursuant to Annex no. 2 the legal security of the investment facility was changed. The Bank released the contractual capped rate mortgage to the amount of PLN 12,000,000.00 and terminated the agreement for transfer of rights from insurance policies of non-current assets covered by the mortgage on the day of establishing security in the form of a registered pledge on storeroom inventories in the amount of PLN 100,000,000.00 together with transfer of rights from the insurance agreement and in the form of an assignment of commercial debts with the minimum value of PLN 35,000,000.00 to the line for guarantees and letters of credit granted to the Issuer under General Agreement no. 2010/101/DDF of 20 May 2010 as amended.

- 7) Investment agreement of 8 July 2013 concluded between Action S.A. and Devil GmbH (a company incorporated under the laws of Germany) with its registered office in Braunschweig (Germany), New Devil Holding GmbH (a company incorporated under the laws of Germany) with its registered office in Braunschweig (Germany) and the individuals being partners in New Devil Holding GmbH, Mr Karsten Hartmann and Mr Steffen Helbing. In performance of the signed agreement:
1. Devil GmbH acquired fixed assets, inventory, intangible assets, and databases, and took over employees from the trustee in bankruptcy of Devil A.G. in liquidation bankruptcy with its registered office in Braunschweig. On the basis of the assets listed hereinabove, within the structure of Devil GmbH, activities are carried out in Germany, consisting of the wholesale of products similar to those offered by the Issuer.
 2. On 8 July 2013 the Issuer submitted a statement on acquiring 1,600,000 shares in the increased (from EUR 800,000 to EUR 2,400,000) share capital of Devil GmbH (the nominal value of one share is EUR 1) for a cash contribution of EUR 1,600,000. The Issuer obtained an interest representing 2/3 of the share capital of Devil GmbH and giving the same proportion of votes at the meeting of the Company's shareholders.
- 8) Agreement no. 1018879/2013 of 27 August 2013 concluded under a public procurement procedure in an open tender between the Social Insurance Institution based in Warsaw (as the ordering party) and a consortium of companies: DECISOFT S.A. with its registered office in Warsaw and the Issuer (as contractors). The subject of the agreement concluded with ZUS is provision of hardware and corresponding licenses with regard to:
- a) modernization of technical and system infrastructure of the Electronic Data Interchange system (EWD), which is a part of the Comprehensive IT System of ZUS (KSI ZUS),
 - b) implementation of the "Uszczelka" project,
 - c) centralized allocation of Unix servers at two destinations i.e. COO Szamocka and ZCOO Czerniakowska with their implementation, and granting of a 36-month hardware warranty as well as software support coverage.
- The contractual value incl. VAT was PLN 39 848 193.30.
- 9) Annex no. 1 dated 17 September 2013 to subcontracting agreement no. PL_PT1091 dated 29 August 2013 concluded between ATOS IT SERVICE Sp. z o.o. with its registered office in Warsaw and the Issuer (subcontractor). Under subcontracting agreement no. PL_PT1091 and Annex no. 1 to this agreement, ACTION SA sold, delivered to the places designated by ATOS IT SERVICE Sp. z o.o. and installed hardware, servers, network and security equipment according to the agreed schedule of work. The value of the subcontracting agreement indicated in Annex no. 1 was PLN 35,397,257.78 excl. VAT. The value of the service resulting from subcontracting agreement no. PL_PT 1091 dated 29 August 2013 was PLN 17,457,162 excl. VAT. Annex no. 1 to the agreement extended the scope of ACTION S.A. services (relating to servers and network devices) and relevant remuneration to the above-mentioned total amount.
- 10) Annex no. 11 of 11 December 2013 to Agreement on Overdraft, Guarantees and Letters of Credit No. 51/2009 concluded between ACTION S.A. and HSBC Bank Polska on 29 May 2009. Pursuant to the annex the value of the total overdraft limit granted to the Issuer and the limit for guarantees and letters of credit was increased from PLN 70,000,000 to PLN 100,000,000. The limit includes the following sub-limits: overdraft facility of PLN 60,000,000, letters of credit and bank guarantees of PLN 100,000,000. Pursuant to this annex, the terms were not prolonged. Due to the increase in the total limit, the value of the following collaterals has also been changed: Issuer's declaration on the submission to execution up to the maximum amount of PLN 150,000,000; registered pledge on warehouse stock up to PLN 65,000,000; assignment of rights under an insurance agreement up to PLN 65,000,000. Pursuant to the above Annex, the term was prolonged for bank guarantees not longer than 6 years to 23 May 2020.

4. 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

MOBISTYLE Sp. z o.o. (previous name ACTION INVESTMENTS Sp. z o.o.) with its registered office in Zamienie - subsidiary (100%) 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

Devil GmbH with its registered office in Braunschweig – subsidiary (66.66%) ⁸

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

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 interest 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 founded on 3 September 2009,

⁴ MOBISTYLE Sp. z o.o. 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.,

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 Devil GmbH with its registered office in Braunschweig (Germany) was consolidated on 8 July 2013.

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

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

On 21 May 2013, SFERIS Sp. z o.o. entered into an agreement for the sale of shares of SELECTRO Sp. z o.o. with its registered office in Zamienie. SELECTRO Sp. z o.o. was an indirect subsidiary (99.89%). The Company was consolidated for the period from 1 January 2013 until the date of sale of shares.

On 18 July 2013 ACTION S.A. acquired 1,600,000 shares in the increased (from EUR 800,000 to EUR 2,400,000) share capital of Devil GmbH (Germany) for a cash contribution of EUR 1,600,000. As a result of the above-mentioned increase in the share capital, ACTION S.A. obtained an interest representing 2/3 of the share capital of Devil GmbH and giving the same proportion of votes at the meeting of shareholders.

RETAILWORLD Sp. z o.o., a subsidiary of SFERIS Sp. z o.o., founded on 18 November 2013 by SFERIS Sp. z o.o. holding 100% shares in this company.

Third party shares in subsidiaries:

SFERIS Sp. z o.o. - 0.11%, including Piotr Bieliński 0.055%, Anna Bielińska 0.055%

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. MOBISTYLE Sp. z o.o. (former name: ACTION INVESTMENTS Sp. z o.o.) began its business activity of selling computer hardware and providing advertising services based using its own internet portal. 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. is commencing activities in the marketing services sector. DEVIL GmbH carries out distribution activities in wholesale of IT products, consumer electronics and household items. RETAILWORLD Sp. z o.o. began its business activity in the wholesale of hardware and IT accessories to foreign customers.

5. 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 27 to the Financial Statements.

6. 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 100,000,000 for the financing of its current operations. The overdraft limit may be used up to a maximum amount equivalent to PLN 50,000,000 in USD, EUR or PLN. The outstanding amount may be used in PLN exclusively. The final repayment deadline of the overdraft facility was set as 31 May 2014.

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

The Bank granted ACTION S.A. a short-term revolving overdraft facility amounting to PLN 30,000,000 for financing its current operations. The deadline for credit repayment was agreed as 29 May 2014; 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 October 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 financing limit of PLN 100,000,000. The limit includes the following sub-limits: overdraft facility of PLN 60,000,000, letters of credit and bank guarantees of PLN 100,000,000. The term of the overdraft facility was set until 23 May 2014, for letters of credit until 17 February 2015, while for bank guarantees:

- not longer than one year: until 22 May 2015;
- not longer than three years: until 23 May 2017;
- not longer than six years: by 23 May 2020;

7. Information on loans, guarantees and sureties granted

11.1. Loan agreements

ACTION S.A. granted a loan of PLN 200,000 maturing on 30 September 2014 to ACTION Centrum Edukacyjne Sp. z o.o. The interest on the loan is determined on the basis of the fixed interest rate of 8%.

ACTION S.A. granted a loan of EUR 1,000,000 maturing on 31 March 2014 to Lapado Handelsgesellschaft mbH. The interest on the loan is determined on the basis of the fixed interest rate of 7%.

ACTION S.A. granted a loan to A.PL INTERNET S.A. of PLN 100,000 maturing on 30 July 2013. All the receivables from loan repayment were subject to write-down.

11.2 Guarantees and sureties granted

Guarantees and sureties granted

As of 31 December 2013, the value of guarantees and sureties granted amounted to PLN 43,171,000, including:

towards other entities

Bank guarantees for the total amount of (USD 448,000) PLN 1,350,000,
Bank guarantees for the total amount of (EUR 30,000) PLN 124,000,
Bank guarantee under a lease agreement of (EUR 196,000) PLN 811,000,
Performance bonds for the total amount of PLN 3,997,000,
Tender guarantees for the total amount of PLN 2,400,000,
Guarantee of payment of customs duties and taxes for the total amount of PLN 220,000,
Letters of credit relative to the supplies of goods totalling PLN 21,827,000.

towards related parties

Bank guarantees for the amount of (EUR 3,000,000) PLN 12,442,000,

8. Proceeds from issue of shares

On 4 December 2013 the District Court for the capital city of Warsaw registered the increase of the share capital by issue of 200,000 series C ordinary bearer shares with the nominal value of PLN 0.10 each. Proceeds from the issue of the series C shares of PLN 2,400,000 (exercise price - PLN 12 per share) were used for the purposes of day-to-day operating activities of the Company.

9. Information on acquisition of equity shares

In 2013 the Company did not purchase any equity shares.

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

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

11. Evaluation of financial resources management

Liquidity ratios	31/12/2013	31/12/2012
Current ratio (current assets / current liabilities)	1.18	1.18
Quick ratio (liquid current assets / current liabilities)	0.77	0.71
Super quick ratio (short-term investments / current liabilities)	4.10%	0.16%

The liquidity ratios presented by the Company are typical for the best distribution-oriented companies operating in the trade sector. The parameters of liquidity ratios in 2013 still confirm the stable liquidity position. It should be noted that fast liquidity ratios increased significantly.

Level and structure of working capital	Increase	31/12/2013	31/12/2012
1. Current assets	23.64%	934,892	756,116
2. Cash and securities	3110.59%	32,427	1,010
3. Adjusted current assets (1-2)	19.52%	902,465	755,106
4. Current liabilities	23.64%	790,107	639,022
5. Short-term loans	-39.49%	66,021	109,104
6. Adjusted current liabilities (4-5)	36.64%	724,086	529,918
7. Working capital (1-4)	23.65%	144,785	117,094
8. Demand for current assets (3-6)	-20.79%	178,379	225,188
9. Net cash (7-8)	68.92%	-33,594	-108,094
10. Equity share in financing the current assets (7 : 1) in %	0.00%	15%	15%

As a result, it can be seen that despite a very dynamic increase in revenues from sales of 32.4%, the increase in the value of current assets was considerably lower and totalled 23.6%. Current liabilities grew at the same rate as current assets and the share of non-interest liabilities in financing current assets increased to 77%. The share of bank loans was further reduced by over 39% compared to the end of 2012, which accounted only for 7% of the sources of financing current assets and, after adjustment of their value, by the value of cash held - 3.6%.

The figures presented above confirm that the Company enjoys a very stable financial situation and has significant development opportunities. The above data confirm effectiveness of measures taken by the Management Board to improve the financial position of the Company.

Debt ratios	31/12/2013	31/12/2012
Overall debt ratio	72.23%	70.80%
Equity to assets ratio	27.77%	29.20%

The debt structure analysis confirms a high share of own funds in the financing of assets. The Company's financial position is very good and stable. Slight increase of total debt is due to the increase in the value of trade liabilities in the liabilities structure.

12. Evaluation of the possibility of executing intended investments

Considering the Company's high creditworthiness as well as growing return on its activities, the Management Board has very positively assessed the possibility of carrying out potential intended investments.

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

Aside from the still high level of foreign exchange rates fluctuations, an effect being managed by hedge accounting, the Company did not record any material factors of an untypical nature during the period covered by this Report.

14. 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.

15. Changes to the basic principles of the Company management

In 2013, the Company did not considerably change its management principles.

16. 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 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.

On 9 August 2011, Sławomir Harazin was appointed to the position of Vice-President of the Management Board, he has held this 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.

17. 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 35 to the Financial Statements.

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

Piotr Bieliński holds shares in SFERIS Sp. z o.o.

- 15 shares (out of 27,993 shares) with the nominal value of PLN 16,000 constituting 0.05% of the capital.

18. 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.

19. 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 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.

20. Information on the systems of control of the employee shares programmes

The Company does not have any employee share schemes.

21. Information concerning the entity authorised to audit Financial Statements

Detailed information concerning the entity authorised to audit Financial Statements was presented in Note 37 to the Financial Statements.

22. Expected development of the Company and its financial standing

In 2014 the Company expects to develop, in particular, through:

- sales growth in Devil GmbH – a company operating on the German market,
- fully benefiting from concluded distribution agreements and concluding new agreements,
- further developing of its sales network,
- further developing of its online sales,
- making better use of its warehousing and logistics facilities,
- investments in development of logistics and warehouse infrastructure,
- 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. It is expected that the Company's advantageous financial situation will be maintained.

Piotr Bieliński
President of the Managing
Board

Sławomir Harazin
Vice-President of the
Management Board

Edward Wojtysiak
Vice-President of the Management
Board

Warsaw, 19 March 2014