



Action S.A. under restructuring

**A presentation of updated financial projections
of the Company and a position on the
possibility of handling composition proposals
provided by the Bondholders**

28 November 2017

AGENDA

1. Introduction – current situation in the scope of composition proposals and the objective of the presentation
2. Updated financial projections – assumptions and results
3. Composition proposals of the Bondholders
4. Status of VAT proceedings
5. Legal commentary on the composition proposals of the Bondholders
6. Further measures planned by the Company

Introduction – current situation in the scope of composition proposals and the objective of the presentation

- The composition proposals presented by the Company at the beginning of the recovery proceedings were of a preliminary nature and the Company expects to update them.
- In this scope, the Company hopes to cooperate with all interested creditors with a view to entering into a composition agreement.
- In connection with the ongoing recovery proceedings and no final resolution of objections to the list of claims, including the Tax Office claim of PLN 29.115 million, the Company has not updated the composition proposals as of today. The hearings set on 7 December 2017 may influence the assessment of whether extra VAT risk will materialise, and thus whether it will be necessary to take into consideration the need to pay extra public law liabilities in the assumptions of the proposals.
- **In connection with imminent events that will make it possible to draw up final composition proposals, the Company has updated its financial projections and started updating composition proposals that will be reasonable in business terms and acceptable for most creditors needing to enter into a composition agreement.**
- In addition, the Company has received a letter from the legal representative of the Bondholders, presenting a draft proposal of the terms and conditions for restructuring the Company's liabilities ("**Draft Composition Proposals of the Bondholders**").
- **The objective of this presentation is to:**
 - **present the results of the updated financial projections of the Company for the period from Q4, 2017 until the end of 2022; and**
 - **take a position on the Draft Composition Proposals of the Bondholders.**

Updated financial projections – key business assumptions

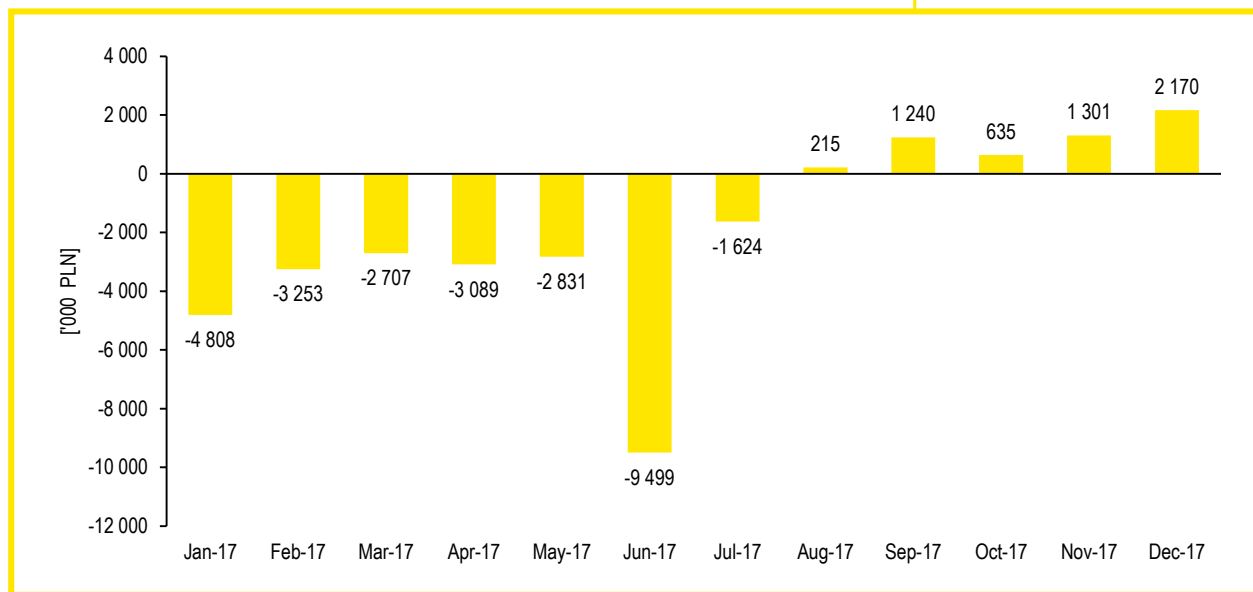
Financial projections have been updated, taking into account the following assumptions:

- implementation of the restructuring measures included in the Restructuring Plan
- combination with the activities of Sferis and Gram.PL
- presentation of the projections until 2022, inclusive
- taking into account recently reported data (Q3, 2017)
- taking into account knowledge and performance related to the new business model (Q1-Q3, 2017)
- taking into account current levels and sources of financing

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Updated financial projections – results

[tys. PLN]	2017	2018	2019	2020	2021	2022
Przychody ze sprzedaży	1 374 974	1 506 946	1 615 280	1 640 217	1 677 081	1 693 672
Zysk/Strata brutto ze sprzedaży	76 800	106 877	118 450	122 238	126 821	128 282
Zysk/Strata z działalności operacyjnej	-31 722	2 337	10 805	11 352	12 602	12 921
Zysk (strata) brutto	-34 475	1 953	10 762	11 352	12 602	12 921
EBITDA		-22 252	11 808	20 275	20 822	22 391



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Updated financial projections – results

[PLN thousand]	2017	2018	2019	2020	2021	2022
Non-current assets	205,684	196,934	188,183	179,432	170,682	161,931
Current assets, of which:	440,035	438,799	454,602	480,205	513,296	540,933
Inventory	140,548	149,399	159,089	161,648	164,688	166,252
Trade receivables	229,462	215,188	213,850	212,859	212,167	214,695
Cash	54,663	58,849	66,301	90,336	121,079	144,624
Other	15,362	15,362	15,362	15,362	15,362	15,362
TOTAL ASSETS	645,720	635,733	642,785	659,638	683,977	702,864
Total equity	162,527	164,480	175,243	186,594	199,196	212,117
Non-current liabilities	4,753	0	0	0	0	0
Current liabilities	478,439	471,253	467,542	473,044	484,781	490,748
TOTAL EQUITY&LIABILITIES	645,720	635,733	642,785	659,638	683,978	702,865

Certain numerical figures presented herein, in particular indirect sums included in the tables, have been rounded up. Therefore, figures presented as sums and/or indirect sums in certain tables as well as in the text may be in some contradiction to the sums of presented components.

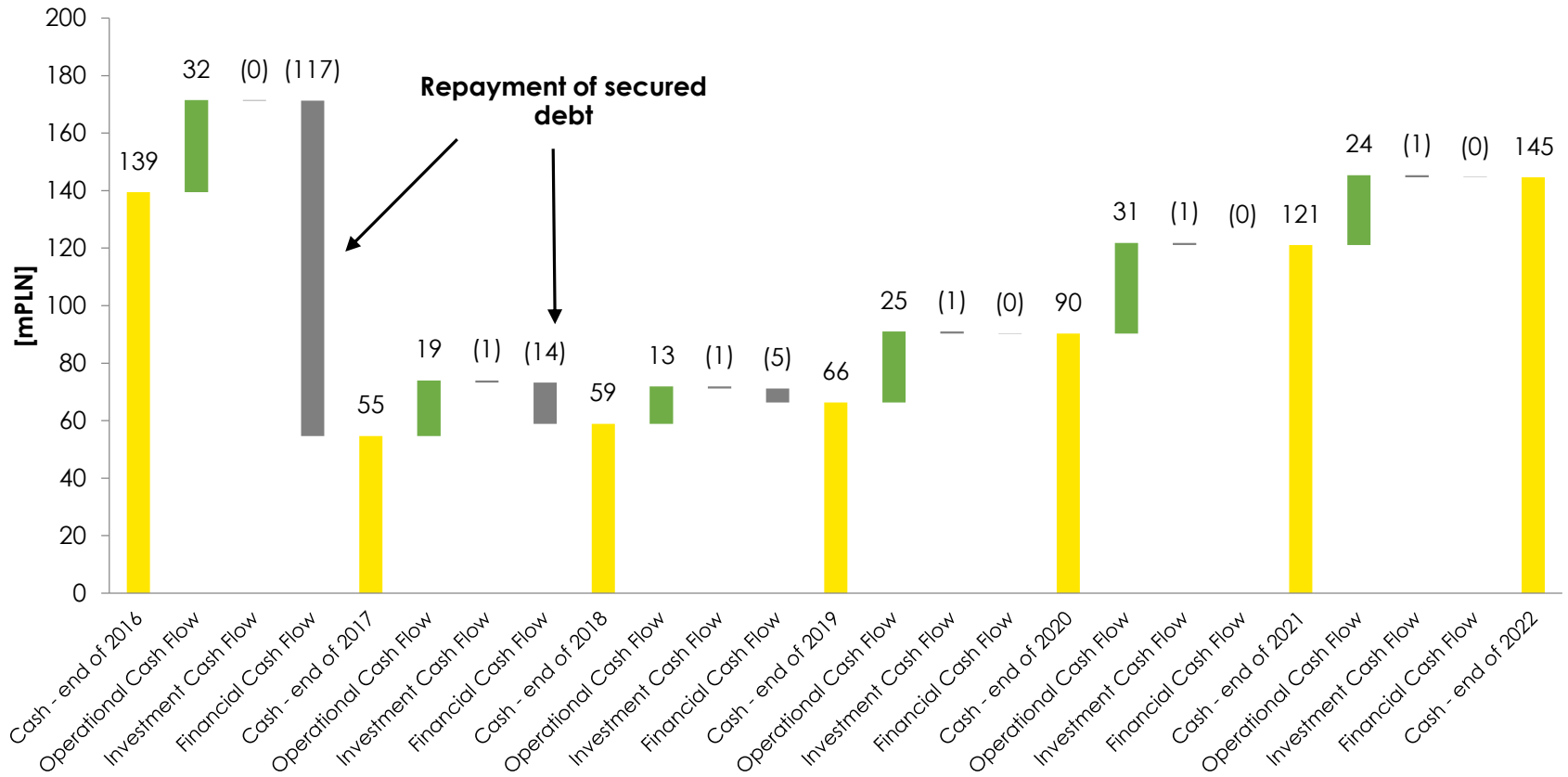
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Updated financial projections – results

[PLN thousands]	2017	2018	2019	2020	2021	2022
Cash flows from operating activities, of which:	31,972	19,343	13,019	24,755	31,463	24,265
Net profit for the financial period	-34,802	1,953	10,762	11,352	12,602	12,921
Depreciation	9,471	9,471	9,471	9,471	9,471	9,471
Movement in inventory	3,012	-8,851	-9,690	-2,559	-3,040	-1,564
Movement in trade and other receivables	73,382	14,274	1,339	990	693	-2,528
Movement in trade and other creditors	-28,015	2,113	1,095	5,502	11,737	5,966
Other	8,925	384	42	0	0	0
Cash flows from investing activities	-198	-720	-720	-720	-720	-720
Cash flows from financing activities	-116,591	-14,437	-4,847	0	0	0
Total net cash flows	-84,817	4,187	7,452	24,035	30,743	23,545
Opening cash balance	139,480	54,663	58,849	66,301	90,336	121,079
Closing cash balance	54,663	58,849	66,301	90,336	121,079	144,624

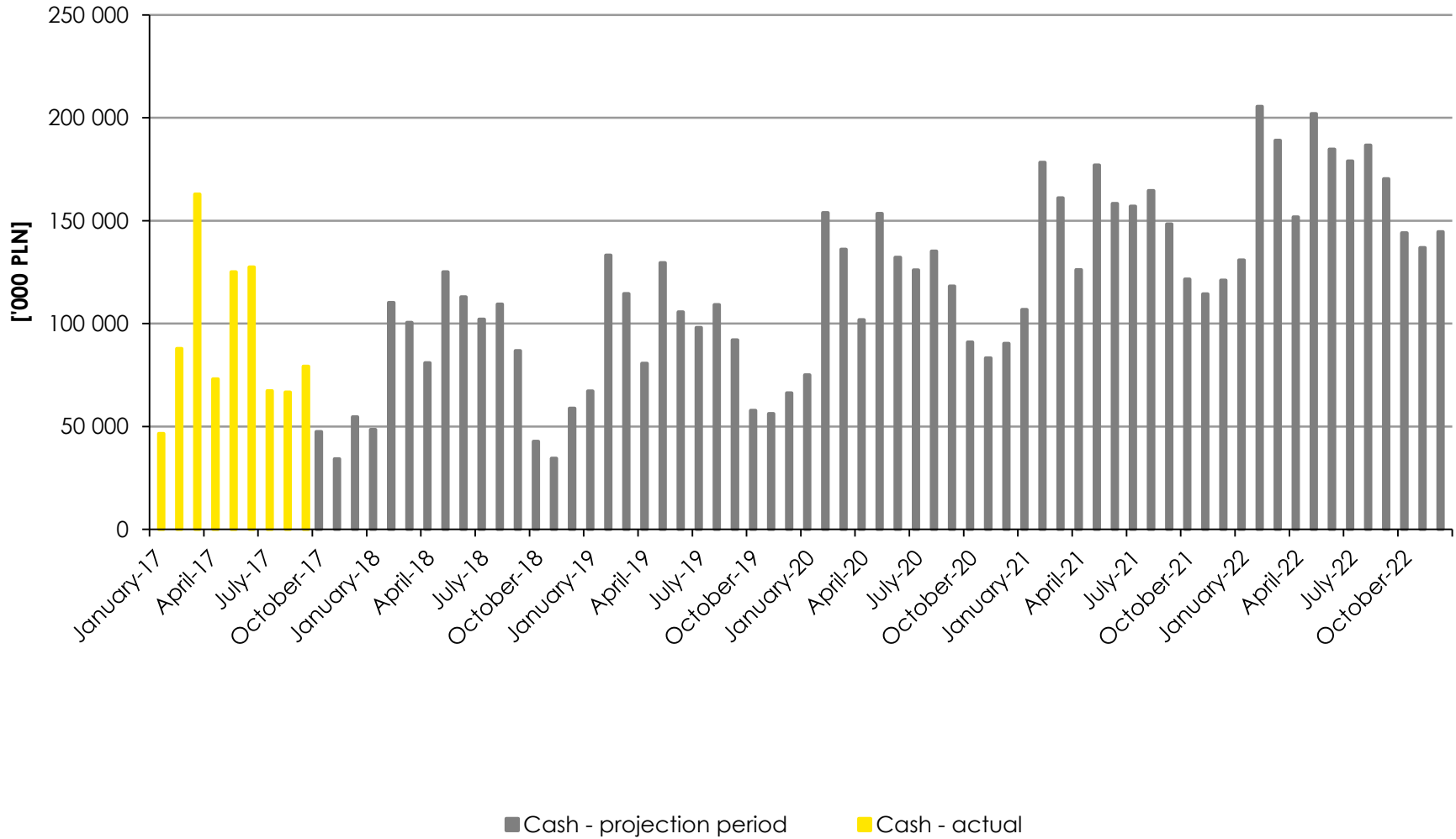
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Updated financial projections – results



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Updated financial projections – results



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Composition proposals of the Bondholders – content

Proposed terms and conditions for restructuring the Company's liabilities in the draft composition proposals of the Bondholders

Group	Name according to the composition proposals of the Bondholders	Restructuring terms and conditions
1	Minority shareholders (up to PLN 50 thousand)	<ul style="list-style-type: none"> ➤ Repaying 100% of the principal and interest for the period until the day preceding the opening of the Proceedings on a one-time basis on the Day of the First Payment, ➤ writing off interest for the duration of the Proceedings
2	Creditors with claims not resulting from legal acts of the Company, in particular public law creditors	<ul style="list-style-type: none"> ➤ Repaying 80% of the principal in 40 equal, quarterly instalments; the first instalment being due on the Day of the First Payment; ➤ Writing off the remaining part of the claim; ➤ Writing off interest for the duration of the Proceedings.
3	Creditors being Bondholders	<ul style="list-style-type: none"> ➤ Repaying 80% of the principal in 20 equal quarterly instalments ("Composition Instalments"); the first instalment being due on the Day of the First Payment; ➤ Repaying the interest on Old Bonds on a one-time basis on the Day of the First Payment. ➤ Converting a portion (not more than 10%) of the principal into the Company's shares at an issue price not higher than PLN 0.51 providing creditors from Groups 3 and 4 with a share in the share capital of Action of 80% ("Conversion to Shares"); ➤ Writing off the remaining part of the claim; ➤ A right to "convert" the Composition Instalments to secured New Bonds that the Company will offer to creditors within 2 months and issue within 3 months of finalising the Proceedings ("Conversion to Bonds").
4	Other creditors (including conditional)	<ul style="list-style-type: none"> ➤ Repaying 80% of the principal and interest for the period until the day preceding the opening of the Proceedings in 20 equal quarterly instalments ("Composition Instalments"); the first instalment being due on the Day of the First Payment; ➤ Conversion into Shares ➤ Writing off the remaining part of the claim as well as interest for the duration of the Proceedings; ➤ A right to Conversion into Bonds

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Composition proposals of the Bondholders – assumptions for the purpose of simulation based on the Company's forecast

Value of claims covered by the composition agreement according to the current list: PLN 347.9 million

Group	Name according to the composition proposals of the Bondholders	Assumed claim value
1	Minority shareholders (up to PLN 50 thousand)	PLN 4.0 million
2	Creditors with claims not resulting from legal acts of the Company, in particular public law creditors *)	PLN 8.7 million
3	Creditors being Bondholders	PLN 101.6 million
4	Other creditors (including conditional)	PLN 233.7 million

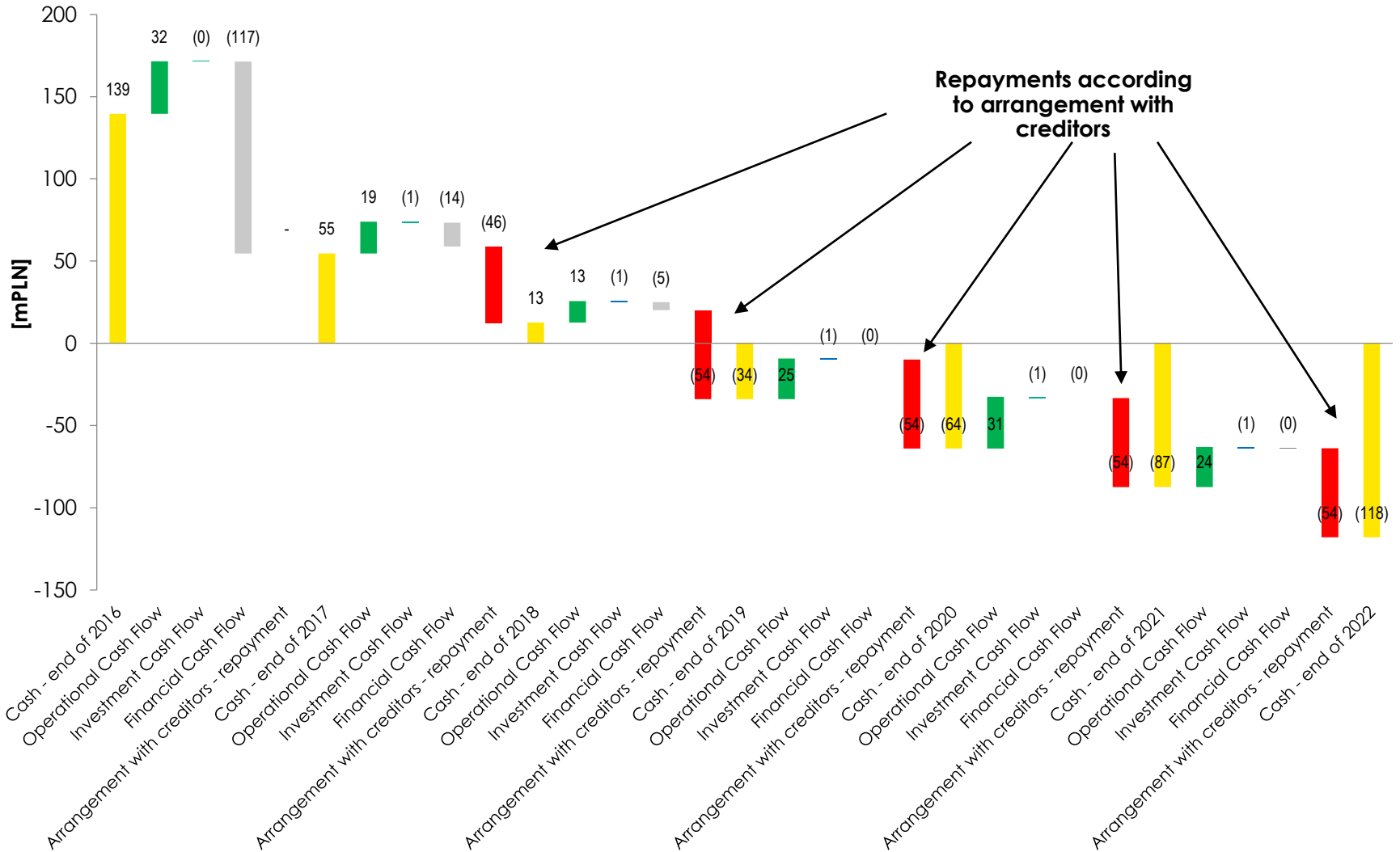
*) the amount of claims in Group 2 includes tax claims included in the current list of claims of PLN 7,698,520 and concerning liabilities relative to taxes not arising from VAT proceedings but arising from the current activities of the Company, not regulated as of the moment of opening the recovery proceedings and subject to the composition agreement.

Other assumptions:

- The composition agreement will be adopted in Q1, 2018 and the first instalment will be paid in late Q2, 2018.
- The repayment of claims classified in group 3 (Bondholders) does not include interest for the 6th interest period due to the fact that such interest is not included in the current list of recovery claims.
- "Conversion to Shares" in the amount of 10% for Groups 3 and 4;
- The "Conversion to Bonds" simulation was not carried out;
- Current credit limits were not renewed – the Company is repaying current bank financing in accordance with the repayment schedules.

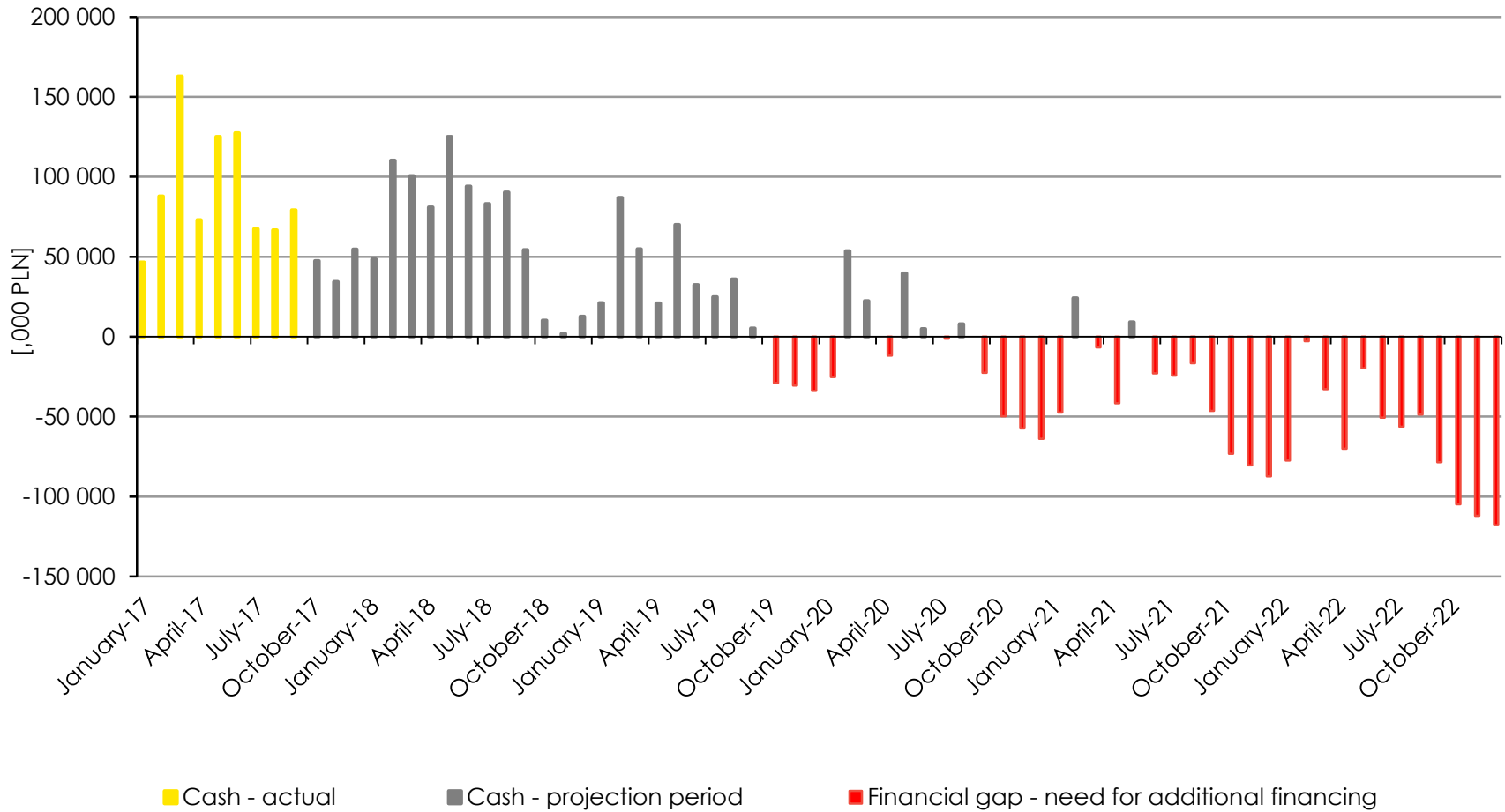
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Composition proposals of the Bondholders – simulation results



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Composition proposals of the Bondholders – simulation results



4 Status of VAT proceedings (1/2)

No	Description of proceedings	The method of including in the Company's balance sheet	Included in the current list of claims	The method of including in the simulation
1	<p>The proceedings before the Provincial Administrative Court (WSA) in Warsaw instituted on the basis of an appeal filed by the Company against the decision of the Head of the Tax Office in Warsaw dated 24 October 2016 upholding the decision of the Head of the Tax Office in Olsztyn dated 7 June 2016 on goods and services tax for particular months between July 2011 and January 2012. On this basis, the head of the Tax Office in Olsztyn specified the tax liability in the goods and services tax for particular months of the abovementioned period and concluded that the Company had overstated the tax calculated for deduction in the total amount of PLN 22.564 thousand (including interest on arrears, this amount stands at PLN 29,115 thousand).</p> <p>In the above case, the hearing date has been set to 7 December 2017.</p>	<ul style="list-style-type: none"> ➤ The amount of PLN 29,115 thousand included in the category "Trade and other creditors" – the principal with interest 	<ul style="list-style-type: none"> ➤ NO 	<ul style="list-style-type: none"> ➤ Repayments of this claim are not included
2	<p>Proceedings before the Head of the Tax Administration Chamber in Warsaw instituted on the basis of an appeal filed by the Company against the decision of the Head of the Tax Office in Warsaw dated 29 June 2016 on goods and services tax for January and February 2013. On this basis the head of the Tax Office in Warsaw specified the tax liability in the goods and services tax for the particular months of the abovementioned period and concluded that the Company had overstated the tax calculated for deduction in the total amount of PLN 36,639 thousand (including interest on arrears, this amount stands at PLN 36,989 thousand). The appeal has not been considered yet.</p>	<ul style="list-style-type: none"> ➤ The amount of PLN 36,989 thousand included in the category "Trade and other creditors" – the principal with interest 	<ul style="list-style-type: none"> ➤ NO 	<ul style="list-style-type: none"> ➤ Repayments of this claim are not included

4 Status of VAT proceedings (2/2)

No	Description of proceedings	The method of including in the Company's balance sheet	Included in the current list of claims	The method of including in the simulation
3	<p>There are six inspections concerning the reliability of declared tax bases and the correctness of the calculation and payment of the goods and services tax, and in one case, corporate income tax. Three of the inspections are connected with the Company's VAT refund request due to the excess of input VAT over output VAT. The inspections cover the selected months from the years 2008 - 2015. As part of the above inspections in July 2017 the Company received two inspection reports in which the tax authorities questioned the right to deduct VAT in the total amount of PLN 9,224 thousand. At this stage, the final result of these inspections cannot be foreseen.</p>	<p>➤ The amount of PLN 9,224 thousand included in the category "Trade and other creditors" – the principal without interest due to the fact that it is impossible to estimate it as of today.</p>	<p>➤ NO</p>	<p>➤ Repayments of this claim are not included</p>

- In addition, on 7 December 2017 the Supreme Administrative Court (NSA) will consider the cassation appeal in connection with the Tax Inspection Office (UKS) decision received in connection with the VAT for December 2008. In this case the value of the object of dispute stands at PLN 6,352 thousand. The Company expects that the case will be resolved in its favour. The company took write-downs totalling PLN 6,761 thousand on receivables resulting from the paid UKS decisions. The Company paid the entire amounts arising from the aforementioned UKS decisions.

Legal commentary of the Company on the composition proposals of the bondholders

1. The preliminary composition proposals of the Company presented in the Restructuring Plan provided for the same treatment of creditors and for limiting the creation of groups to a minimum (2 separate groups). **The Company allows for the possibility of dividing creditors into more than 2 groups if objectively justified, when a requirement is not met by the draft composition proposals presented by the Bondholders according to the Company:**
 - **Allocating public law claims to a group with the least favourable repayment level and schedule** (the Company has doubts about the objective reasons for creating this group and its potential risk in the scope of meeting the private creditor test);
 - **The most favourable terms and conditions for one group of creditors – the Bondholders.**
2. **The composition proposals of the Bondholders provide for converting debt into shares at a price differing considerably from the current market price, which creates the risk of acting to the detriment of some creditors and shareholders.**
3. **No incentive to grant new financing to the Company under the composition agreement.** No such incentive in the Bondholders' proposals, and what is more the requirement to receive a security of repayment of claims covered by the composition agreement, without any extra benefits (the New Bonds do not constitute new financing), will make it considerably more difficult for the Company to raise new financing after entering into the composition agreement.

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Further measures planned by the Company (1/2)

- This schedule of measures is a proposal of the Company – the final schedule will be prepared taking into account the manager’s comments and arrangements made with creditors during the negotiations.
- The aim of the Company and its advisers is to present updated composition proposals on 8 December 2017.
- The schedule below has already been presented to some creditors and bondholders.
- As concerns the preparation of appraisal reports, the Company has already taken measures with a view to determining a list of appraisers acceptable to the Bondholders and some creditors.

#	Task	From	To
1	Session with the Meeting of Creditors – presenting updated financial projections	28 November 2017	
2	Working on new composition proposals	28 November 2017	8 December 2017
3	Decisions in tax cases	7 December 2017	
4	Potential update of financial projections and the composition proposals concerning them – taking into account the most current list of claims as of that date, taking into consideration the above decisions.	7 December 2017	8 December 2017
5	Presenting new composition proposals to creditors	8 December 2017	

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Further measures planned by the Company (2/2)

#	Task	From	To
6	Preparing appraisal reports concerning real estate		At this stage it is impossible to specify when this will be feasible – it is necessary to collect proposals, the cost must be approved by the manager, time is needed for preparation
7	Analysing the liquidation value		Completion time correlated with the time needed to prepare appraisal reports
8	Presenting the liquidation analysis to creditors		The performance date depends on the above measures
9	Negotiations in the scope of composition proposals and agreements		The performance date depends on the above measures
10	Private creditor test (if indispensable)		The performance date depends on the above measures
11	Signing the agreement		The performance date depends on the above measures
12	Approving the list of claims		Depends on the operation of the court – the Company expects this to take place not later than in Q1, 2018
13	Voting on the composition agreement		Depends on the operation of the court – the Company expects this to take place not later than in Q2, 2018