Current report no. 19/2018

Date prepared: 25-04-2018

Subject: Final results of the report prepared from an independent analysis regarding the degree of satisfaction of the Company's creditors and the Company's financial projections and the feasibility of implementing the arrangement.

Legal basis: Article 17, section 1, of the Market Abuse Regulation – confidential information.

Content:

The Management Board of ACTION S.A. in restructuring (Company, Issuer), in reference to Current Report No. 9/2018 of 27 March 27 2018, informs that on 25 April 2018 it received from KPMG Advisory sp.k. ("KPMG") final reports containing a summary of key conclusions from the analysis of (i) the degree of satisfaction of the Company's creditors and (ii) the financial projections of the Company and the feasibility of the arrangement performance (hereinafter: Reports).

The reports were prepared in the implementation of the Resolution of the Creditors Council No. 2/12/2017 and 3/12/2017 of 11 December 2017.

The reports in their conclusions confirmed the data provided in the current report No. 9/2018. In addition, their content indicates:

I. estimated level of satisfaction of the Company's Creditors:
1. in the scenario assuming a arrengement with the Company's Creditors and continuation of activity based on modified financial projections (with an estimated cash value of PLN 200 million) in the case of materialization of risk related to ongoing VAT proceedings for the amount of 75.3 million PLN will amount to 47%, and the degree of satisfaction calculated including the amount of about 66 105 thousand PLN resulting from VAT proceedings for which a final decision has been issued (payment requirement) will amount to 48%;

2. in the scenario assuming the bankruptcy of the Company in the case of materializing the risk related to ongoing proceedings in the field of VAT for the amount of PLN 75.3 million will amount to 44% under the liquidation procedure and 58% pursuant to art. 56a (so-called Pre pack). The degree of satisfaction calculated taking into account the amount of about 66 105 thousand. PLN resulting from VAT proceedings for which a final decision has been issued (payment requirement) will amount to 45% under liquidation procedure and 60% pursuant to art. 56a (so-called Pre pack).

II. was emphasized that the Pre-Pack variant is a hypothetical variant prepared at the request of the Creditors Council expressed in the framework of the resolution adopted by it and this option should not be treated as possible - there was no investor interested in buying the company at the time the report was prepared.

III. a list of potential cash inflows and potential actions aimed at increasing cash inflows, in which:

1. potential divestment of the Company consisting in the sale of two properties of the Company for the estimated total amount of PLN 16.13 million with the assumed impact of the funds in the period 2019/2020 - 2022 and with the reservation that the sales plan should include analysis of the costs of reallocation of the Company bussines activity in one of the abovementioned real estate and its possible impact on the Company's flows, the costs of which do not include the amount given above;

2. proposals in the field of business and organizational optimization with the reservation that the development and estimation of possible business and organizational optimization was not the subject of KPMG's work;
3. analysis of sensitivity to extending payment terms in the period 2020-2022, assuming gradual extension the commitment rotation rate up to 30 days in 2022, with reservations that further improvement of the conditions in this area is closely related to the development and implementation of the business and organizational optimization plan and the recovery of the full credibility by the Company. According to the Report, in such circumstances improvement of the conditions in the above-mentioned scope is possible, however, it is risky, and the estimated additional impact within the sensitivity analysis may amount to approx. 54 million PLN.

IV. based on an application based on the received information and analyzes carried out, it is worth considering a continuation of the Company's business operations due to the higher potential for generating financial flows.

The Issuer's Management Board, referring to the above-mentioned conclusions of the Report, informs that in its opinion, responsible analysis of the issues raised, in particular from the point of view of a professional with decades of experience in conducting business activities, requires the adoption of the aforementioned a modified variant (assuming the repayment of Creditors by way of an arrangement in the total amount of PLN 200 million) as the basis for formulating the arrangement proposals. To justify this position, the Management Board of the Company indicates that the anticipated periods of the abovementioned disinvestments and the lack of taking into account the costs of relocation of activities on the sale of real estate do not allow for taking into account the estimated inflows from these titles in the repayment plan. The Management Board, however, made the necessary analyzes in this respect. In terms of business and organizational optimization, the Issuer's Management Board emphasizes that the activities in this area are ongoing and that the implementation of the restructuring plan and these activities will not be discontinued. At the same time, despite these actions and the passage of almost 2 years of the restructuring proceedings, the Company did not receive any new financing (also in commercial relations the prepayment is the main form of payment). For these reasons, the Management Board of the Company is skeptical about the assumption that the Issuer will achieve the estimated turnover ratio. The company has made analyzes and assessed these opportunities at the level of 18 days (against 3 days in the original assumptions and constituting a real indicator for over a year), which was included in the modified financial projection included in the Report. Therefore, in the opinion of the Management Board of the Company, further increase of this indicator is an activity detached from the realities of the Company's operation and the market environment, and thus is with risky of inaccessibility.

The amounts presented in the Reports as well as the commentary on the Company's financial projections and the possibility of implementing the arrangement are estimates, and may change and they do not constitute a guarantee or KPMG assurance regarding the Company's estimates quoted in the reports and can not be treated as fair value of the Company or its property.