

COMPOSITION PROPOSALS OF ACTION S.A. IN RESTRUCTURING

These composition proposals ("Composition Proposals") have been prepared by Action S.A., based in Zamienie, in restructuring ("Company", "Action" or "Debtor"). These Composition Proposals are not final. The Company is waiting for possible comments of the Creditors, regarding the wording of the Composition Proposals, within 14 days from the date of the publication thereof in the current report. Once this period lapses, the Debtor shall submit the final Composition Proposals to the file of the recovery proceedings pending ("Recovery Proceedings").

1. GENERAL PROVISIONS

- 1.1. According to Article 161 para. 1 of the Act of 15 May 2015 - Restructuring Law (i.e. Journal of Laws of 2017, item 1508, hereinafter: "**R.L.**"), the receivables covered by the Composition shall be satisfied by the Debtor within the group which a given Creditor ("**Group**") belongs to.
- 1.2. The Composition Proposals provide for the division of the creditors into five Groups:
 - 1.2.1. **Group I – Principal Group:** includes all Creditors, both private and public, entitled to receivables covered by law or with the consent of the Creditor by the composition proposals, including such Creditors whose receivables, according to the Act, are covered by the composition proposals, whereas the existence or amount thereof will be confirmed after the approval of the list of receivables, with the exception of the Creditors belonging to Group II, Group III, Group IV or Group V, with the stipulation that the Creditors belonging to this Group cannot be satisfied in an amount lower than PLN 50,000;
 - 1.2.2. **Group II – Minor Creditors Group:** includes Creditors entitled to receivables covered by law or with the consent of the Creditor by the composition proposals, the sum of which does not exceed PLN 50,000, as of the date of opening the Recovery Proceedings, excluding the Credits belonging to Group V;
 - 1.2.3. **Group III – Group of Creditors referred to in Article 160 para. 1 of the Restructuring Law:** includes the Creditors in relation to whom the Company has liabilities referred to in Article 160 para. 1 of the Restructuring Law;
 - 1.2.4. **Group IV – Group of Cooperating Commercial Creditors:** includes the Creditors entitled to receivables covered by law or with the consent of the Creditor by the composition proposals, excluding the Creditors of Group II and receivables from the debt financing described in Group V, who, following the opening of the reorganisation proceedings until the date of the Company's composition proposals in the Court, conducted cooperation with the Company and provided commercial support (hereinafter referred to as "**Support**") (resulting from appropriate accounting documents issued by the Creditor or the Company, recorded in the Company's accounting books) in the form of cash benefits, additional to the sales contract concluded with a given Creditor, in the form of:
 - a) reducing the price of products, in relation to the price agreed in a sales contract, unless such a reduction was due to the defective nature of the products; or

- b) granting remuneration to the Company - in the amount independent of the price of specific products – due to the Company achieving the trade targets specified by the parties to a contract or the performance of activities related to the promotion of the products covered by the cooperation of the parties, regardless of whether the remuneration was settled at the conclusion of a sales contract or after the conclusion thereof, a posteriori determining the results of the adopted settlement period,

with the stipulation that the Creditors belonging to this Group cannot be satisfied in an amount lower than PLN 50,000;

- 1.2.5. Group V – Group of Financial Creditors:** includes the Creditors entitled to receivables covered by law or with the consent of the Creditor by the composition proposals, resulting from debt financing (not related to commercial cooperation referred to in the description of Group IV), understood as financing resulting from the issue of bonds, granting loans or credits, or implementing legal securities (such as sureties or guarantees granted by the Company), granted in the period prior to the opening of the recovery proceedings to the Company or entities to which the Company was a parent company, within the meaning of Article 4 para. 1 point 4 of the Code of Commercial Companies, or a related company within the meaning of Article 4 para. 1 point 5 of the Code of Commercial Companies, if the Company is liable for the obligations of these entities on the basis of a specific legal relationship.
- 1.3.** One Creditor with multiple claims can be included in different Groups, depending on the type of receivables such Creditor is entitled to and the criteria for separating the given Groups.
- 1.4.** A joining creditor ("**Joining Creditor**") who, after accepting or approving the Composition Proposals, replaces another Creditor who was included in the approved List of Claims ("**Outgoing Creditor**"), will be incorporated into the Group designated for the Outgoing Creditor, irrespective of the legal basis of joining by the Joining Creditor in place of the Outgoing Creditor. In particular, a Joining Creditor conducting insurance business may be included in Group IV, in the scope of claims acquired from an Outgoing Creditor who is incorporated in such Group.
- 1.5.** In order to secure the claims of the Creditors belonging to Groups I and IV, serving to finance the same undertaking which is the preservation of the Company, while at the same time satisfying the claims of the creditors thereof to the highest extent, it is hereby ruled as follows:
 - (i) on the properties of the Debtor located in Zamienie, ul. Dawidowska 10, 05-500 Zamienie: (i) consisting of record parcels no. 3, 80/1, 82, 83, 88/1, 89/1, 81, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers, keeps the land and mortgage register No. WA5M/00356713/3, and (ii) consisting of record parcels no. 90, 91, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers, keeps the land and mortgage register No. WA5M/00433184/9, owned by the Company, a security in the form of a **joint contractual mortgage** is established;

- (ii) the mortgage is established for a period of five years, commencing from the day on which the mortgage entry into the land and mortgage register becomes final or effective, whichever occurs first, up to the maximum security amount of PLN 155,975,345.24;
- (iii) executing of the composition proposals with respect to the Creditors included in Group I and Group IV, as an action leading to the preservation of the Company, while at the same time satisfying the claims of the Creditors thereof to the highest extent, constitutes the same undertaking within the meaning of Article 68² para. 1 of the Act of 6 July 1982 on land and mortgage registers (i.e. Journal of Laws of 2017, item 1007, as amended), as well as the mortgage is a security thereof, the basis of the establishment of which are these composition proceedings in the Recovery Proceedings.
- (iv) performing the function of a mortgage administrator, which mortgage is established on the property of the Debtor under the aforementioned security, and thus exercising the rights and obligations of the mortgage creditor on their own behalf, however entrusted to the account of Creditors belonging to Group I and Group IV, by virtue of this composition is entrusted to
- (v) the administrator declares that they agree to the above and additionally submit their written statement to this fact;
- (vi) for the performance of functions, the administrator is entitled to a lump sum remuneration in the amount of PLN net monthly, for each month thereof, and this remuneration shall be financed by the debtor, as a cost of the proceedings.

1.6. In the case of creditors who, within 3 months from the valid approval of the composition, apply to the Debtor with such a request, between them and as the mortgage administrator, a separate agreement establishing the mortgage administrator referred to in the preceding paragraph shall be concluded, to which the administrator hereby agrees. A draft of the said agreement is included in **Annex No. 1** to the Composition Proposals, as an integral part thereof.

1.7. Maintaining the utmost legal care, in the case that the land and mortgage court refuses to make an entry in the mortgage established under the conditions set out in points 1.5 and 1.6 hereinabove, in the land and mortgage registers no. WA5M/00356713/3 and WA5M/00433184/9, within one month from the day on which the decision on the refusal to enter this mortgage becomes final, the Debtor shall make a declaration (in the form of a notarial deed) of establishing joint contractual mortgages on the Company's real property marked with the land and mortgage registers no. WA5M/00356713/3 and WA5M/00433184/9, for each of the creditors who applied to him in accordance with point 1.6 hereinabove, in order to secure separately the claims of each of them, up to the amount of their claims under this composition, having equal priority over the satisfaction thereof.

1.8. Moreover, in order to secure the claims of the Creditors belonging to Groups I and IV, the Company shall establish, for a period of five years from the day on which the entry into force of the registered pledge becomes valid, or until the day of the composition, whichever comes first, a security in the form of a registered pledge on equipment belonging to the Company, i.e. the equipment for storage systems constituting movable property or the collection thereof to the highest security amount of PLN

155,975,345.24. [• pledge administrator •] shall be authorised to provide a registered pledge of claims due to other Creditors belonging to Groups I and IV, as well as to exercise, on their own behalf and for their own account, the rights and obligations of a pledgee (pledge administrator). The Administrator hereby declares that, being a creditor of the Company, they agree to the above and additionally submit their written statement in relation thereto.

2. DETAILED CONDITIONS FOR INDIVIDUAL GROUPS

2.1. Group I

- (i) The claims which include the principal amounts due will be repaid in the amount of 48.62%, with the proviso that the Creditors cannot be satisfied in an amount lower than PLN 50,000.
- (ii) The remaining part of the receivables which include the amounts of principal receivables will be written off (reduction of the amount of receivables).
- (iii) The unredeemed part of the main receivables will be repaid in 20 quarterly instalments payable at the end of each quarter.
- (iv) The first quarterly installment will be payable on the last business day of the calendar quarter following the quarter in which the decision on approval of the composition in the Recovery Proceedings becomes final.
- (v) The receivables, due to interest, for the period up to the date of opening the Recovery Proceedings, as well as after that day, and all other incidental debts shall be forfeited in their entirety.

2.2. Group II

- (i) The claims which include the principal amounts due will be satisfied by the Company in such a way that each Creditor of Group II shall receive the payment of a claim in full, on the last business day of the calendar quarter following the quarter in which the decision on approval of the composition in the Recovery proceedings becomes final.
- (ii) The claims, due to interest, for the period up to the date of opening the Recovery Proceedings, as well as after that day, and all other incidental dues, shall be forfeited in their entirety.

2.3. Group III

- (i) The claims that include: the amounts of principal amounts due, and the amounts of incidental dues incurred up to the day preceding the opening of the Recovery Proceedings, as well as after that day until the repayment date (statutory, contractual or other legal basis), shall be satisfied by the Company as follows: each Creditor from Group III will receive the payment of the claim in full, on the last business day of the calendar quarter following the quarter in which the

decision on the approval of the composition in the Recovery Proceedings becomes final.

2.4. Group IV

- (i) The claims, which include the principal amounts due, will be repaid in the amount of 54.2%, with the proviso that the Creditors cannot be satisfied in an amount lower than PLN 50,000.
- (ii) The remaining part of the receivables which include the amounts of principal receivables will be written off (reduction of the amount of receivables).
- (iii) The unredeemed part of the main receivables will be repaid in 20 quarterly instalments payable at the end of each quarter.
- (iv) The first quarterly installment will be payable on the last business day of the calendar quarter following the quarter in which the decision on the approval of the composition in the Recovery Proceedings becomes final.
- (v) The claims, due to interest, for the period up to the date of opening the Recovery Proceedings, as well as after that day, and all other incidental dues, shall be forfeited in their entirety.

2.5. Group V

- (i) The claims that include principal amounts will be repaid in the amount of 37.86%.
- (ii) The remaining part of the receivables which include the amounts of principal receivables will be written off (reduction of the amount of receivables).
- (iii) The unredeemed part of the principal amounts will be repaid on the last business day of the calendar quarter following the quarter in which the decision on approval of the composition in the Recovery proceedings becomes final.
- (iv) The claims, due to interest, for the period up to the date of opening the Recovery Proceedings, as well as after that day, and all other incidental dues, shall be forfeited in their entirety.

3. ADDITIONAL REPAYMENTS FROM UNDUE TAX

- 3.1.** If, during the execution of the composition against the Company, a final decision or a final administrative court judgement is issued, under which the Company shall be entitled to refund undue VAT paid, as a result of the proceedings indicated in **Appendix No. 2** to the Composition Proposals ("**Undue Tax**"), the funds received by the Company due to the refund of the Undue Tax, in the part which was payable under the Composition Proposals, shall be allocated for a single one-time, additional repayment of the Creditors from Groups I, IV and V, together with the first quarterly installment payable on the return of the Undue Tax to the Company's account, subject to article 3.4.
- 3.2.** If, during the execution of the composition against the Company, a final decision or a final administrative court judgement is issued, under which the Company's tax liability

as a result of the proceedings indicated in **Appendix No. 2** to the Composition Proposals is determined in an amount lower than in the list of receivables (“**Unduly Charged Tax**”), funds which, according to the composition proposals, were to be used in the future to pay the Company tax liability in the part which was to be paid based on the Composition Proposals, will be used for additional repayment of the Creditors from Groups I, IV and V, starting from the first quarterly installment after the final judgement of an administrative court, keeping the repayment schedule for the instalments, specified for the Creditor of Group I, subject to article 3.4.

3.3. The additional repayment resulting from Articles 3.1-3.2 (“**Additional Repayment**”) will be divided among the creditors of Groups I, IV and V, according to the following allocation mechanism:

(i) Share of the Group I creditors in the Additional Repayment:

The amount of the receivables due within Group I	x	the share of the Group I receivables resulting from the composition proposals (expressed as a %), in the total amount of receivables subject to repayment under the composition
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(A)

(ii) Share of the Group IV creditors in the Additional Repayment:

The amount of the receivables due within Group IV	x	the share of the Group IV receivables resulting from the composition proposals (expressed as a %), in the total amount of receivables subject to repayment under the composition
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(A)

(iii) Share of the Group V creditors in the Additional Repayment:

The amount of the receivables due within Group V	x	the share of the Group V receivables resulting from the composition proposals (expressed as a %), in the total amount of receivables subject to repayment under the composition
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(A)

where (A) is the sum of the amounts of points 3.3. (i) - (iii) hereinabove, assuming that the amounts of the debt to be repaid will be reduced by the Unduly Charged Tax.

3.4. The Additional Repayment provided for in points 3.1-3.2 hereinabove shall be reduced by the remuneration for the success of the Company’s advisers, agreed on the basis of separate consultancy agreements between the Company and such advisers (“**Remuneration of Advisers**”). The Additional Repayment will be due solely and exclusively after the payment of the entire Remuneration of Advisers due to the given tax proceedings. If the amount of an Undue Tax or an Unduly Charged Tax is lower than the Remuneration of Advisers, the repayment under this Article 3 shall not be made.

3.5. The repayment under this Article 3 shall take place irrespective of the repayment terms laid down in Article 2, and in particular shall not reduce the repayment amounts which the creditors from Groups I, IV and V receive pursuant to Article 2.

3.6. This Article shall apply each time in the event of a final or binding decision of an administrative court on the Undue Tax or Unduly Charged Tax.

Appendix no. 1
The Draft Agreement establishing the mortgage administrator

THE AGREEMENT ESTABLISHING THE MORTGAGE ADMINISTRATOR

concluded on 2018, in, by and between:

1. _____
hereinafter referred to as: the “Mortgage Administrator”,

and:

2. _____
hereinafter jointly referred to as: “Creditors”, and each of them separately as a “Creditor”, listed in the appendix to this agreement and duly signed hereinunder.

Mortgage Administrator and Creditors are jointly referred to as the "Parties".

WHEREBY:

a) *on, in the Recovery Proceedings of Action S.A., based in Zamienie, in restructuring (hereinafter referred to as: "Debtor"), pending before the District Court for the capital city of Warsaw in Warsaw, X Commercial Division for Bankruptcy and Restructuring, under reference number X GRs 8/16, composition proposals were concluded and successively validly approved under the provisions of the abovementioned ruling of the Court, issued on (the “Composition Proposals”);*

b) *The composition proposals provides for securing the claims of creditors included in groups I and IV, in the form of a joint contractual mortgage on the real property located in Zamienie, at ul. Dawidowska 10, 05-500 Zamienie: (i) consisting of record parcels no. 3, 80/1, 82, 83, 88/1, 89/1, 81, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers, keeps a land and mortgage register No. WA5M/00356713/3, and (ii) consisting of record parcels no. 90, 91, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers, keeps a land and mortgage register No. WA5M/00433184/9, owned by the Company, as well as provides for the appointment of as the Mortgage Administrator;*

c) *Pursuant to point [1.6] of the Composition Proposals, the Parties have decided to conclude an agreement of the following wording:*

§ 1.

The Creditors hereby jointly order the Mortgage Administrator to establish, in order to secure their receivables referred to in this agreement, a joint contractual mortgage on the Debtor’s properties, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers, keeps land and mortgage registers no. WA5M/00356713/3 and WA5M/00433184/9, and entrust to them, under the terms of this agreement and the mandatory provisions of law, to perform the function of an administrator of the abovementioned mortgage, within the meaning of Article 682 section 1 of the Act of 6 July 1982 on land and mortgage registers and mortgage (i.e. Journal of Laws of 2017, item 1007, as amended), as well as order them to exercise the

rights and obligations of a mortgagee with respect to the abovementioned mortgage on their own behalf, to the account of the Creditors, whereas the Mortgage Administrator accepts the above obligations.

§ 2.

1. The Mortgage Administrator, within 5 business days from the date of the Debtor's request, undertakes to enter into a contract with the Debtor, by virtue of which the mortgage referred to in the preceding paragraph shall be established, whereby the conclusion of such contract will not take place unless the mortgage is established in accordance with point [1.5] of the Agreement.
2. The mortgage will be established to secure the receivables due to the Creditors which were recognised in the approved list of claims prepared in the recovery proceedings of the Debtor, and successively covered by the arrangement in these proceedings, as well as included in group I or IV within the meaning of the abovementioned composition proceedings, to the highest amount of security equal to the sum of the receivables due to those creditors, subject to the repayment of the abovementioned composition, i.e. up to PLN 155,975,345,24.
3. The mortgage shall be established for a period of five years from the date on which the decision on the entry of a mortgage in the land and mortgage register becomes final or effective, or until the date of execution of the Composition Proposals, whichever comes first.

§ 3.

For the avoidance of any doubt whatsoever, the Parties hereby agree that the settlement of claims referred to in § 2 para. 2, in the amount and on the terms and conditions specified in the Composition Proposals, as an activity leading to the preservation of the Company, while at the same time satisfying the claims of the Creditors to the highest extent, constitutes the same undertaking within the meaning of Article 682 para. 1 of the Act referred to in § 1, with the mortgage serving as a security, to cooperate in the establishing thereof, which the Mortgage Administrator undertakes under this agreement.

§ 4.

Due to the conclusion of this agreement, as well as performing the function specified in § 1, the Mortgage Administrator is entitled to remuneration in the amount of

§ 5

1. Any potential disputes that may arise under this agreement shall be resolved by the Parties amicably. In the absence of an amicable resolution of a dispute, a court competent for the recognition thereof shall be the court competent for the place of residence/domicile of the Mortgage Administrator.
2. To all matters not settled herein, the provisions of the Polish Law shall apply.
3. Any amendments hereto shall be made in writing or otherwise remain null and void.
4. This Agreement has been made in identical copies, one for the Mortgage Administrator, one for each of the Creditors and one for the land and mortgage register court.
5. This Agreement shall enter into force on the day of its signing by the Mortgage Administrator and at least two Creditors, whereas for each subsequent Creditor joining the agreement - on the day of signing by the given Creditor.

SIGNATURES
Appendix no. 2
Proceedings in case of undue tax

1. Audit proceedings instituted by the Director of the Tax Control Office in Olsztyn. The audit proceedings were conducted on the reliability of the declared tax bases and the correctness of the calculation and payment of the tax on goods and services for the period 1 July 1 2011 - 31 January 2012. Reference number: UKS2891/W2P1/42/140/14. Decision no. UKS2891/W2P1/42/140/14/181/025, dated 7 June 2016, was issued. The company appealed to the Tax Chamber in Warsaw. By the decision of 24 October 2016, the Director of the Tax Chamber in Warsaw upheld the decision of the Director of the Tax Control Office in Olsztyn. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw. With the judgement of 28.12.2017 issued in relation to Ref. no. III SA/Wa 130/17, the Provincial Administrative Court in Warsaw dismissed the complaint of the Company. The Company filed a cassation complaint against this verdict to the Supreme Administrative Court. The complaint was paid. The Company was not notified about the date of the hearing.
2. Audit proceedings instituted by the Director of the Tax Control Office in Warsaw. The audit proceedings were conducted on the reliability of the declared tax bases and the correctness of the calculation and payment of the tax on goods and services for January and February 2013. Reference number: UKS1491/W4P3/42/17/13. Decision no. UKS1491/W4P3/42/17/13/249/025, dated 29.06.2016, was issued. The company appealed to the Tax Chamber in Warsaw. By the decision of 14.03.2018, the Director of the Tax Chamber in Warsaw upheld the decision of the Director of the Tax Control Office in Warsaw. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw. The complaint was paid. The Company was not notified about the date of the hearing.
3. Audit proceedings instituted by the Director of the Customs and Tax Control Office in Warsaw. The audit proceedings were conducted on the reliability of the declared tax bases and the correctness of the calculation and payment of the tax on goods and services for the period from August to December 2010. Reference number: 448000-CKK2-5.500.28.2017. Decision no. 448000-CKK2-5.500.28.2017.16, dated 04.01.2018, was issued. The company appealed to the Tax Chamber in Warsaw. By the decision of 20.04.2018, the Director of the Tax Chamber in Warsaw upheld the decision of the Director of the Customs and Tax Control Office in Warsaw. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw. The complaint was paid. The Company was not notified about the date of the hearing.