



CONSOLIDATED
QUARTERLY REPORT
FOR Q3 2016

29 NOVEMBER 2016

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I. Statement of the Management Board concerning the accuracy of the Quarterly Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements and the comparative data have been drawn up to represent the financial position, business results and cash flows as required by the International Financial Reporting Standards (IFRS) approved by the EU, published and in force on the balance sheet date, and, in any matters not regulated by the IFRS, in compliance with the Polish Accounting Act of 29 September 1994.

These interim condensed consolidated financial statements of the ACTION S.A. Group for the period ended on 30 September 2016 include: the consolidated statement of comprehensive income, consolidated statement of financial position, statement of changes in consolidated equity, consolidated cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

According to the requirements of the Ordinance of Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities, and conditions for recognising as equivalent information required by the laws of a non-member state, and the Ordinance of Minister of Finance of 3 April 2012 amending the Ordinance on current and interim information to be submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 13 April 2012), and subsequent amendments thereto introduced by the Ordinance of Minister of Finance of 25 May 2016 amending the Ordinance on current and interim information to be submitted by issuers of securities, and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of laws of 2016, item 860), the Management Board of ACTION S.A. in restructuring (Issuer, Company, ACTION S.A.) hereby declares that:

- to the best of their knowledge, the Interim Condensed Consolidated Financial Statements and comparative data were prepared in compliance with accounting policies in force and that they give a true and fair view of the Group's state of affairs, financial position and financial result.

In the period covered by the consolidated financial statements, the companies of the Group, excluding ACTION S.A., ACTION EUROPE GmbH, LAPADO Handelsgesellschaft GmbH and ACTION (GUANGZHOU) TRADING CO., LTD kept their accounting books in compliance with the accounting policy (principles) laid down by the Accounting Act of 29 September 1994 and the regulations issued thereunder. The Consolidated Financial Statements contain adjustments not included in the accounting books of the Group's entities implemented in order to adjust the financial statements of those entities to the IFRS. From 1 January 2010, ACTION S.A. keeps its accounting books in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU, issued and binding as of the balance sheet date, and in matters not regulated by those Standards in accordance with the Accounting Act of 29 September 1994. ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH keep their accounting books in accordance with German accounting laws. ACTION (GUANGZHOU) TRADING CO., LTD keeps its accounting books in accordance with the requirements of Chinese balance sheet laws.

Piotr Bieliński	Sławomir Harazin	Edward Wojtysiak
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board

Warsaw, 29 November 2016

II. Interim Condensed Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the period from 1 January 2016 to 30 September 2016

Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	PLN '000		EUR '000	
	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015
I. Net revenue from sale of products, goods and materials	2 560 813	3 731 333	586 159	897 279
II. Gross profit/loss on sales	162 585	207 898	37 215	49 994
III. Operating profit/loss	-13 918	31 873	-3 186	7 665
IV. Net profit/loss attributable to the Company's shareholders	-15 263	22 510	-3 494	5 413
V. Net operating cash flows	8 051	22 838	1 843	5 492
VI. Net cash flow from investing activities	-3 442	-15 254	-788	-3 668
VII. Net cash flow from financing activities	19 228	-89 750	4 401	-21 582
VIII. Net increase (decrease) in cash	23 837	-82 166	5 456	-19 759
IX. Earnings per ordinary share* (in PLN/EUR)	-0.90	1.36	-0.21	0.33
	As of 30.09.2016	As of 31.12.2015	As of 30.09.2016	As of 31.12.2015
X. Total assets	918 560	1 361 187	213 024	319 415
XI. Liabilities	595 719	1 001 551	138 154	235 023
XII. Long-term liabilities	126 100	140 113	29 244	32 879
XIII. Short-term liabilities	469 619	861 438	108 910	202 144
XIV. Equity attributable to the Company's shareholders	327 124	361 149	75 864	84 747
XV. Share capital	1 696	1 661	393	390
XVI. Number of shares**	16 957 000	16 610 000	16 957 000	16 610 000
XVII. Book value per share*** (in PLN/EUR)	19.29	21.74	4.47	5.10

PLN to EUR exchange rates

Period	Average exchange rate for the period	Minimum exchange rate for the period	Maximum exchange rate for the period	Exchange rate on the last day of the period
01.01.2016-30.09.2016	4.3688	4.2684	4.4405	4.3120
01.01.2015-31.12.2015	4.1848	4.0337	4.2386	4.2615
01.01.2015-30.09.2015	4.1585	4.0337	4.2386	4.2386

* Earnings per ordinary share were calculated by dividing Net Profit by Number of Shares.

** The number of shares takes into account the change in the nominal value of series A shares from PLN 1 to PLN 0.10, while dividing 1 share having the value of PLN 1 into 10 shares having the nominal value of PLN 0.10. The change was made on 11.04.2006 by virtue of a resolution of the Extraordinary General Shareholders' Meeting.

*** The book value per share was calculated by dividing Equity Attributable to the Company's Shareholders by Number of Shares.

Selected financial data presented in the Consolidated Financial Statements were converted into the euro in the following manner:

- items concerning the Consolidated Statement of Comprehensive Income and the Cash Flow Statement were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month, the exchange rate for the first 3 quarters of 2016 stood at EUR 1 = PLN 4.3688, for the first 3 quarters of 2015 – EUR 1 = PLN 4.1585;
- items of the consolidated statement of financial position were converted at the average exchange rate published by the National Bank of Poland, in force as of the balance sheet date; as of 30 September 2016, this exchange rate stood at: EUR 1 = 4.3120 PLN, as of 31 December 2015: EUR 1 = 4.2615 PLN, and as of 30 September 2015: EUR 1 = PLN 4.2386.

Consolidated statement of comprehensive income

All revenues and costs refer to continued operations.

	Note	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	Q3 01.07.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015	Q3 01.07.2015 to 30.09.2015
Sales revenue	(5.2)	2 560 813	665 653	3 731 333	1 171 456
Costs of products, goods and materials sold	(5.3)	-2 398 228	-629 612	-3 523 435	-1 102 650
Gross profit on sales		162 585	36 041	207 898	68 806
Sales and marketing costs	(5.3, 5.4)	-145 688	-41 609	-152 744	-53 083
General administrative expenses	(5.3, 5.4)	-25 645	-8 474	-24 937	-7 158
Other operating revenues and profits	(5.5)	2 411	52	4 432	1 603
Other expenses and losses	(5.6)	-7 581	-3 762	-2 776	-1 025
Operating profit		-13 918	-17 752	31 873	9 143
Financial expenses	(5.7)	-5 740	-1 076	-5 627	-1 827
Profit before tax		-19 658	-18 828	26 246	7 316
Income tax	(5.8)	1 843	2 605	-5 034	-1 589
Share in net profit of associate		-226	-35	-131	-59
Net profit for the financial period		-18 041	-16 258	21 081	5 668
Other items of comprehensive income					
Net movement due to cash flow hedges		-2 286	687	3 366	1 745
Income tax		434	-131	-640	-332
Other items		56	2	-63	61
Other items of net comprehensive income		-1 796	558	2 663	1 474
Total income for the period		-19 837	-15 700	23 744	-19 837
Net profit/loss attributable to:					
Company's shareholders		-15 263	-15 471	22 510	6 239
non-controlling interests		-2 778	-787	-1 429	-571
Comprehensive income attributable to:					
Company's shareholders		-17 059	-14 913	25 173	7 713
non-controlling interests		-2 778	-787	-1 429	-571
Profit/loss attributable to the Company's shareholders per ordinary share (expressed in PLN per share):					
Basic		-0.90	-0.91	1.36	0.38
Diluted		-0.90	-0.91	1.33	0.36
Number of shares		16 957 000	16 957 000	16 610 000	16 610 000
Diluted number of shares		16 957 000	16 957 000	16 957 000	16 957 000

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Edward Wojtysiak
Vice-President of the Management
Board

Warsaw, 29 November 2016

The number of shares comprises 11,910,000 series A shares, 4,500 000 series B shares and 547,000 series C shares.

Consolidated Quarterly Report OF THE ACTION S.A. CAPITAL GROUP FOR Q3 2016

All figures are given in thousand PLN, unless specified otherwise.

Earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in the period.

The weighted average number of ordinary shares takes into account the change in the nominal value of series A shares from PLN 1 to PLN 0.10. The nominal value of series A shares was changed by means of a resolution of the Extraordinary General Shareholders' Meeting of 11.04.2006. In addition, the weighted average number of ordinary shares was increased by the issue of 347,000 series C shares, entered in the National Court Register on 10 February 2016.

Consolidated Quarterly Report OF THE ACTION S.A. CAPITAL GROUP FOR Q3 2016

All figures are given in thousand PLN, unless specified otherwise.

Consolidated statement of financial position

	Note	30.09.2016	31.12.2015	30.09.2015
ASSETS				
Non-current assets				
Property, plant and equipment	(5.9)	175 185	181 213	182 443
Goodwill		17 500	17 500	17 500
Other intangible assets		11 946	12 463	12 216
Investment property	(5.10)	3 545	3 545	3 545
Financial assets		324	324	324
Interests in associates measured by the equity method		2 207	2 433	2 505
Deferred income tax assets	(5.8)	130	35	213
Trade and other receivables		887	728	754
		211 724	218 241	219 500
Current assets				
Inventory	(5.11)	310 319	460 235	518 960
Trade and other receivables		327 628	634 893	553 268
Receivables from current income tax		5 130	9 033	9 311
Derivative financial instruments		0	14	0
Other financial assets		1 859	708	200
Cash and cash equivalents		61 900	38 063	32 157
		706 836	1 142 946	1 113 896
Total assets		918 560	1 361 187	1 333 396
EQUITY				
Equity attributable to the Company's shareholders				
Share capital		1 696	1 661	1 661
Share premium		62 231	58 112	58 112
Other reserve capitals		30 000	34 164	30 000
Retained earnings		233 512	265 731	265 009
FX gains/losses on translation of a foreign operation		-127	-183	-195
Other equity items		-188	1 664	-831
		327 124	361 149	353 756
Non-controlling interests		-4 283	-1 513	-1 065
Total equity		322 841	359 636	352 691
LIABILITIES				
Long-term liabilities				
Loans, borrowings and other liabilities due to financing	(5.13)	122 898	133 505	137 949
Trade and other liabilities		0	0	0
Deferred income tax provisions	(5.8)	3 202	6 608	9 927
		126 100	140 113	147 876
Short-term liabilities				
Trade and other liabilities		316 976	744 281	700 417
Loans, borrowings and other liabilities due to financing	(5.13)	150 931	115 423	130 832
Liabilities due to current portion of income tax		5	143	101
Liabilities due to employee benefits		1 707	1 591	1 438
Derivative financial instruments		0	0	41
Provisions for other liabilities and charges		0	0	0
		469 619	861 438	832 829
Total liabilities		595 719	1 001 551	980 705
Total equity and liabilities		918 560	1 361 187	1 333 396

Piotr Bieliński

President of the Management Board

Sławomir Harazin

Vice-President of the Management Board

Edward Wojtysiak

Vice-President of the Management Board

Warsaw, 29 November 2016

Statement of changes in consolidated equity

	Equity attributable to the shareholders of the Parent Company						Equity attributable to non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other reserve capitals	Capital from measurement of cash flow hedges	Foreign exchange gains/losses on translation of a foreign operation		
As of 1 January 2016	1 661	58 112	265 731	34 164	1 664	-183	-1 513	359 636
Total comprehensive income			-15 263		-1 852	56	-2 778	-19 837
Declared dividend			-16 957					-16 957
Other	35	4 119	1	-4 164			8	-1
As of 30 September 2016	1 696	62 231	233 512	30 000	-188	-127	-4 283	322 841
As of 1 January 2015	1 661	58 112	258 983	30 000	-3 557	-132	384	345 451
Total comprehensive income			23 232		5 221	-51	-2 369	26 033
Dividends paid			-16 610					-16 610
Other			126	4 164			472	4 762
As of 31 December 2015	1 661	58 112	265 731	34 164	1 664	-183	-1 513	359 636
As of 1 January 2015	1 661	58 112	258 983	30 000	-3 557	-132	384	345 451
Total comprehensive income			22 510		2 726	-63	-1 429	23 744
Dividends paid			-16 610					-16 610
Other			126				-20	106
As of 30 September 2015	1 661	58 112	265 009	30 000	-831	-195	-1 065	352 691

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Warsaw, 29 November 2016

Consolidated cash flow statement

	Note	01.01.2016 to 30.09.2016	01.01.2015 to 30.09.2015
Cash flow from operating activities			
Net profit/loss attributable to the Company's shareholders		-15 263	22 510
Adjustments:		23 314	328
Income tax		-1 843	5 034
Income tax paid		4 093	-12 874
Depreciation/amortisation of tangible assets and intangible assets		8 928	9 506
Investment profit (loss)		-151	33
Interest revenue		-373	-8
Interest expenses		5 740	5 627
Share in net profit of associate		-2 778	131
Other		-3 062	3 228
<i>Movements in working capital:</i>			
Inventory		149 916	32 362
Trade and other receivables		307 106	39 426
Trade and other liabilities		-444 262	-82 137
Net operating cash flow		8 051	22 838
Cash flow from investing activities			
Acquisition of PP&E and intangible assets		-2 563	-15 400
Inflows from sale of PP&E and intangible assets		213	146
Other inflows/investment expenditures		-1 092	0
Net cash flow from investing activities		-3 442	-15 254
Cash flow from financing activities			
Inflows from issue of interests/shares		0	0
Acquisition of equity shares		0	0
Inflows from issue of bonds		0	0
Loans and borrowings received		29 259	0
Repayment of loans and borrowings		0	-65 885
Dividends paid		0	-16 610
Interest paid		-7 071	-4 721
Payment of liabilities under finance lease agreements		-2 960	-2 534
Other inflows/financial expenses		0	0
Net cash flow from financing activities		19 228	-89 750
Net increases/decreases in cash		23 837	-82 166
Opening balance of cash		38 063	114 323
Foreign exchange gains (losses) on measurement of cash		0	0
Closing balance of cash		61 900	32 157

Piotr Bieliński
President of the Management
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Sławomir Harazin
Vice-President of the Management
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Edward Wojtysiak
Vice-President of the Management
Board

Warsaw, 29 November 2016

Notes to the Interim Condensed Consolidated Financial Statements

1. General information

Business name:	ACTION Spółka Akcyjna in restructuring
Legal form:	Joint stock company
Country:	Poland
Registered office:	Warsaw
Address:	ul. Jana Kazimierza 46/54, 01-248 Warsaw
National Court Register (KRS):	KRS 0000214038
Phone number:	(+48 22) 332 16 00
Fax number:	(+48 22) 332 16 10
E-mail:	action@action.pl
Website:	www.action.pl
Statistical Number (REGON):	011909816
Tax ID (NIP):	527-11-07-221

1.1. Business activity

The business of ACTION S.A. in restructuring (Issuer/Company) and its subsidiaries consists of the sale of IT equipment, consumer electronics and household appliances through wholesalers, its own outlets and third-party shops. The Group conducts its sales operations mainly in Poland. The Company's core business is the wholesale trade in computer accessories (PKD 2007 4690Z).

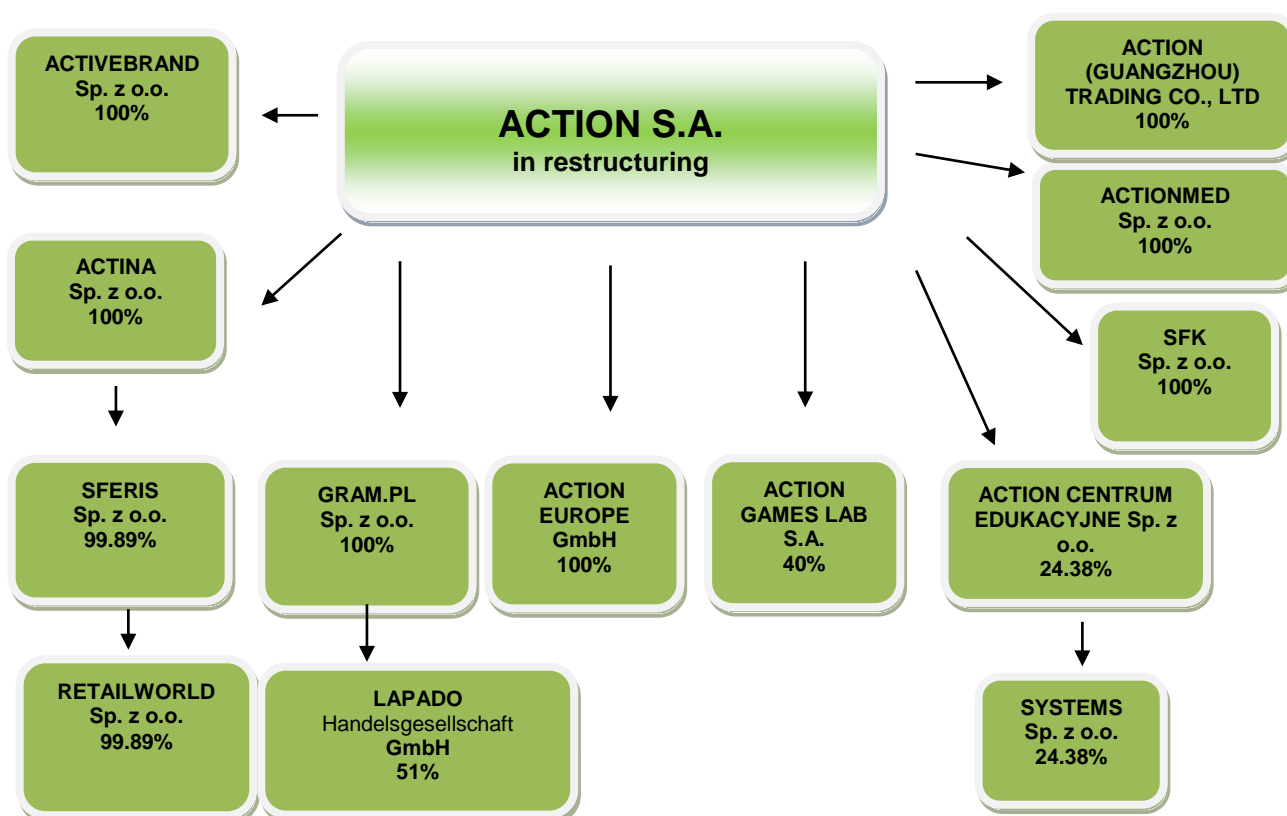
ACTION S.A. is the parent company, with its registered office in Warsaw, ul. Jana Kazimierza 46/54. On 2 August 2004, ACTION Spółka Akcyjna was entered into the Register of Entrepreneurs of the National Court Register under KRS number 0000214038 on the basis of the decision of the District Court in Warsaw, 19th Commercial Department of the National Court Register.

The Issuer's legal predecessor, ACTION spółka z ograniczoną odpowiedzialnością, was entered into the Register of Entrepreneurs under KRS no. 0000066230, based on the decision of the District Court in Warsaw, Commercial Department of the National Court Register, dated 28 November 2001.

On 1 August 2016, the District Court for Liquidation and Restructuring for the capital city of Warsaw, 10th Commercial Department, decided to initiate the restructuring of ACTION Spółka Akcyjna based on the provisions of the Restructuring Law Act of 15 May 2015 (Journal of Laws of 2015, item 978).

1.2. Composition of the Group

Structure of the ACTION S.A. Capital Group



Composition of the Group:

Parent company:

ACTION S.A. in restructuring, with its registered office in Warsaw

Subsidiaries and associates:

SFK Sp. z o.o., with its registered office in Krakow – 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 GAMES LAB S.A., with its registered office in Zamienie - subsidiary (40%)³

ACTION CENTRUM EDUKACYJNE Sp. z o. o., with its registered office in Warsaw – associate (24.38%)⁴

SYSTEMS Sp. z o. o., with its registered office in Warsaw – indirect associate (24.38%)⁵

ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)⁶

ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany) – subsidiary (100%)⁷

RETAILWORLD Sp. z o.o., with its registered office in Stara Iwiczna – indirect subsidiary (99.89%)⁸

LAPADO Handelsgesellschaft GmbH, with its registered office in Potsdam (Germany) – indirect subsidiary (51%)⁹

ACTIONMED Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)¹⁰

ACTION INNOVATIVE SOLUTIONS Sp. z o.o., with its registered office in Bielsko-Biała – subsidiary (51%)¹¹

ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China) – subsidiary (100%)¹²

¹ SFERIS Sp. z o.o., with its registered office in Warsaw, was consolidated as of 5 January 2007.

² GRAM.PL Sp. z o.o., with its registered office in Warsaw, was consolidated as of 28 May 2009, and on 18 December 2009 the share was increased to 80%. On 24 May 2010, the share was raised to 100% by way of an interest purchase agreement.

³ ACTION GAMES LAB S.A., with its registered office in Zamienie, was incorporated and consolidated as of 12 December 2011.

⁴ ACTION CENTRUM EDUKACYJNE Sp. z o.o., with its registered office in Warsaw, was consolidated as of 1 October 2012.

⁵ SYSTEMS Sp. z o.o., with its registered office in Warsaw, was consolidated as of 1 October 2012.

⁶ ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie, was incorporated on 3 September 2012.

⁷ ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany), was consolidated as of 8 July 2013. On 1 April 2014, by way of a purchase of non-controlling interests (33.33%), the share of ACTION S.A. was increased to 100%.

⁸ RETAILWORLD Sp. z o.o., with its registered office in Stara Iwiczna, was consolidated as of 18 November 2013.

⁹ LAPADO Handelsgesellschaft GmbH, with its registered office in Potsdam (Germany), was consolidated as of 1 January 2014.

¹⁰ ACTIONMED Sp. z o.o., with its registered office in Zamienie, was consolidated as of 19 December 2014.

¹¹ ACTION INNOVATIVE SOLUTIONS Sp. z o.o., with its registered office in Bielsko-Biała, was consolidated as of 27 October 2015.

¹² ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China), was consolidated as of 1 July 2016.

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

In the reporting period, ACTION (GUANGZHOU) TRADING CO., LTD was incorporated.

Third party interests in subsidiaries:

1. SFERIS Sp. z o.o. – 0.11%, including Piotr Bieliński: 0.055%, Anna Bielińska: 0.055%
2. LAPADO Handelsgesellschaft GmbH – 49% of interests held by Jacek Mońko
3. ACTION GAMES LAB S.A. – 60% of the interests vested with 75% of votes at the company's general meeting are held by Piotr Bieliński
4. ACTION INNOVATIVE SOLUTIONS Sp. z o.o. – 49% of interests held by Piotr Olejak.

The business of ACTINA Sp. z o.o. is the wholesale of computer hardware. The core business of SFERIS Sp. z o.o. is the retail sale of computer hardware. The business of GRAM.PL Sp. z o.o. (video games) is focused on online retail sales. This company is also involved in the wholesale trade of computer hardware. The business of SFK Sp. z o.o. involves wholesale trade and advertising. In addition to advertising, in 2014 ACTION GAMES LAB S.A. started producing computer games. The main business profile of ACTION CENTRUM EDUKACYJNE Sp. z o.o. and SYSTEMS Sp. z o.o. is training and IT services, and the rental of computer hardware. ACTIVEBRAND Sp. z o.o. is starting its business in the marketing services sector. ACTION EUROPE GmbH conducts distribution activities related to the wholesale of IT products, consumer electronics and household items. RETAILWORLD Sp. z o.o. is a wholesaler of IT equipment and accessories for foreign customers. LAPADO Handelsgesellschaft GmbH deals in the wholesale trade of computer hardware. The business of ACTIONMED Sp. z o.o. is the wholesale of IT hardware and medical accessories, and the sale of services. ACTION INNOVATIVE SOLUTIONS Sp. z o.o. started the manufacturing and sale of telecommunications equipment.

ACTION (GUANGZHOU) TRADING CO., LTD has started commercial activities in the food industry in China.

Consolidated entities as of 30.09.2016

Company name and legal form	Registered office	Business	Nature of relation (subsidiary, joint subsidiary, associate; with indication of direct and indirect relations)	Competent court or other registration authority	Consolidation method applied / measured with the equity method or indication that the entity is not subject to consolidation / measured with the equity method	Date of acquiring control / joint control / material influence	Percentage of the share capital held	Share in total number of votes at the General Meeting
SFK Sp. z o. o.	Krakow	advertising	direct subsidiary	District Court for Krakow-Śródmieście, 11 th Commercial Department of the National Court Register	full	09.05.2005	100%	100%
ACTINA Sp. z o. o.	Warsaw	wholesale trade in computer hardware	direct subsidiary	District Court for the Capital City of Warsaw, 12 th Commercial Department of the National Court Register	full	03.06.2005	100%	100%
GRAM.PL Sp. z o.o.	Warsaw	retail trade	direct subsidiary	District Court for the Capital City of Warsaw, 13 th Commercial Department of the National Court Register	full	28.05.2009	100%	100%
SFERIS Sp. z o.o.	Warsaw	retail trade in computer hardware	indirect subsidiary	District Court for the Capital City of Warsaw, 13 th Commercial Department of the	full	05.01.2007	99.89%	99.89%

Consolidated Quarterly Report OF THE ACTION S.A. CAPITAL GROUP FOR Q3 2016

All figures are provided in thousand PLN, unless specified otherwise.

				National Court Register				
ACTION GAMES LAB S.A.	Warsaw	wholesale trade in computer hardware, advertising services	direct subsidiary	District Court for the Capital City of Warsaw, 14 th Commercial Department of the National Court Register	full	14.12.2011	40%	25%
ACTION CENTRUM EDUKACYJNE Sp. z o. o.	Warsaw	training and IT services and rental of computer hardware	associate	District Court for the Capital City of Warsaw, 13 th Commercial Department of the National Court Register	measured with the equity method	12.09.2012	24.38 %	24.38%
SYSTEMS Sp. z o. o.	Warsaw	training and IT services and rental of computer hardware	indirect associate	District Court for the Capital City of Warsaw, 13 th Commercial Department of the National Court Register	measured with the equity method	12.09.2012	24.38 %	24.38%
ACTIVEBRAND Sp. z o.o.	Zamienie	business consulting services	direct subsidiary	District Court for the Capital City of Warsaw, 14 th Commercial Department of the National Court Register	full	03.09.2012	100%	100%
ACTION Europe GmbH	Braunschweig (Germany)	wholesale trade in computer hardware	direct subsidiary	District Court in Braunschweig (Amtsgericht Braunschweig)	full	08.07.2013	100%	100%
RETAILWORLD Sp. z o. o.	Stara Iwiczna	wholesale trade in computer hardware	indirect subsidiary	District Court for the Capital City of Warsaw, 14 th Commercial Department of the National Court Register	full	18.11.2013	99.89%	99.89%
LAPADO Handelsgesellschaft GmbH	Potsdam (Germany)	wholesale trade in computer hardware	direct subsidiary	District Court in Potsdam (Amtsgericht Potsdam) no. HRB 25042	full	24.01.2014	51%	51%
ACTIONMED Sp. z o.o.	Zamienie	wholesale trade in computer hardware and medical accessories	direct subsidiary	District Court for the Capital City of Warsaw, 14 th Commercial Department of the	full	19.12.2014	100%	100%

Consolidated Quarterly Report OF THE ACTION S.A. CAPITAL GROUP FOR Q3 2016

All figures are provided in thousand PLN, unless specified otherwise.

				National Court Register				
ACTION (GUANGZHOU) TRADING CO., LTD	Nansha, Guangzhou People's Republic of China	sales activity	direct subsidiary	Administration and Market Supervision Authority for Guangzhou Nansha Development Area in the city of Guangzhou	full	29.06.2016	100%	100%

2. Principles adopted to prepare the report

The interim condensed consolidated financial statements of the ACTION S.A. Capital Group for Q3 2016 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements prepared for the period from 1 January 2016 to 30 September 2016 contain comparative data for the period from 1 January 2015 to 30 September 2015.

The key accounting principles applied in preparing these interim consolidated financial statements are presented below. Unless stated otherwise, the principles were applied continuously in all analysed periods.

2.1. General principles of preparation

These interim condensed consolidated financial statements were prepared in accordance with the historical cost principle, except for financial assets held for trading (derivatives), which are measured at fair value.

The interim condensed consolidated financial statements were prepared under the assumption that the Group will continue as a going concern.

As of the approval date of these interim condensed consolidated financial statements, there are no threats to the Group's going concern status.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and they should be read together with the consolidated financial statements of the Group prepared according to IFRS for the financial year ended on 31 December 2015, published on 21 March 2016.

2.2. Compliance statement

These interim condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union, in particular in accordance with International Accounting Standard 34 *Interim Financial Reporting*, which applies to preparing interim financial reports. As of the approval date of these financial statements for publication, in terms of the accounting principles applied by the Group, there were no differences between the IFRS already in effect and the standards and interpretations approved by the European Union.

The IFRS comprise standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

2.3. Material accounting principles

Effect of applying new accounting standards and amendments to the accounting policy

The accounting principles (policy) applied to prepare these condensed consolidated financial statements for Q3 2016 are consistent with the principles applied to prepare the annual consolidated financial statements for 2015, except for the changes described below.

The same principles were applied for the current and comparative period. A detailed description of the accounting principles adopted by the ACTION S.A. Capital Group is presented in the annual consolidated financial statements for 2015, published on 21 March 2016.

▪ **Changes resulting from amendments to the IFRS**

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are effective as of 1 January 2016:

- Amendments to IFRS 11 *Acquisition of an interest in a joint operation*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27: *Equity Method in Separate Financial Statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2012-2014*)
- Amendments to IAS 1 *Disclosure Initiative*

Applying the above did not have any impact on the results or the financial situation of the Group and it only resulted in changing the accounting principles applied, or a potential extension in the scope of obligatory disclosures or alteration of the terminology used.

The main consequences of the application of the new regulations include:

- Amendments to IFRS 11 *Acquisition of an interest in a joint operation*

The amendments to IFRS 11 were published on 6 May 2014 and are effective for annual periods beginning on or after 1 January 2016. The aim of these amendments is to present detailed guidelines explaining the manner of recognising the acquisition of interests in joint operations which constitute a venture. The changes require that the principles applied are identical to those applied in the case of a business combination.

The application of the amended standard does not significantly affect the financial statements of the Group.

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IFRS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* were published on 12 May 2014, and apply to annual periods beginning on or after 1 January 2016. The amendment provides additional explanations regarding the acceptable methods of amortisation. The aim of the amendment is to indicate that the revenue-based depreciation method is not appropriate in the case of PP&E and intangible assets. However, in the case of intangible assets, this method may be applied in certain circumstances.

The application of the amended standard does not significantly affect the financial statements of the Group.

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments to IFRS 16 and 41 were published on 30 June 2014 and apply to annual periods beginning on or after 1 January 2016. This amendment states that bearer plants should be accounted for in the same way as PP&E under IAS 16. Consequently, bearer plants should be accounted for under IAS 16 instead of IAS 41. Agricultural produce growing on bearer plants will remain within the scope of IAS 41.

The application of the amended standard does not significantly affect the financial statements of the Group.

- Amendments to IAS 27 *Equity Method in Separate Financial Statements*

The amendments to IAS 27 were published on 12 August 2014 and apply to annual periods beginning on or after 1 January 2016. The amendments reinstate in IFRS the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in separate financial statements. In the case this method is chosen, it should be applied to each investment within a given category.

The application of the amended standard does not significantly affect the financial statements of the Group.

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10, IFRS 12, and IAS 28 were published on 18 December 2014 and apply to annual periods beginning on or after 1 January 2016. They aim to specify the requirements applied to the accounting of investment entities.

The Group applied those amendments as of the date specified by the European Union as the standard's effective date, i.e. 1 January 2016.

Applying the amended standards does not affect the Group's financial statements.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2012-2014*)

Resulting from the IFRS review, on 25 September 2014 small amendments were made to the following 4 standards:

- IFRS 5 Assets Held for Sale and Discontinued Operations, in the scope of reclassifying assets or groups held for sale from "held for sale" to "held for distribution to owners" and vice versa,

- IFRS 7 Financial Instruments: disclosures, among other items, in the scope of applying amendments to IFRS 7 regarding the offsetting of financial assets and liabilities to condensed interim financial statements,

- IAS 19 Employee Benefits, in the scope of the currency of "high quality corporate bonds" used in estimating the discount rate,

- IAS 34 Interim Financial Reporting, in the scope of specifying the manner of indicating that the disclosures required by paragraphs 16A IAS 34 are included elsewhere in the interim report.

These apply predominantly to annual periods beginning on or after 1 January 2016. In the assessment of the Group, the application of the amended standards does not significantly affect the financial statements of the Group, with the exception of the amendment to IAS 34, which may result in additional disclosures in the interim financial statements of the Group.

- Amendments to IAS 1 *Disclosure Initiative*

On 18 December 2014 the amendments to IAS 1 were issued as part of a major initiative to improve presentation and disclosures in financial statements. These amendments are designed to further encourage entities to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make it clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information may obscure the usefulness of strictly financial disclosures. Moreover, the amendments clarify that the entities should exercise their professional judgment while determining the order and placement of notes presented in the disclosure.

The amendments are also accompanied by a draft of proposed amendments to IAS 7 *Statement of Cash Flows* increasing disclosure requirements with respect to the entity's cash flows from financing activities and its cash and cash equivalents balances (details below).

In the Group's opinion, applying the amended standard does not materially affect the Group's financial statements.

▪ **Changes introduced by the Group**

The Group did not adjust the presentation of the comparative data for Q3 2015 and as of 31 December 2015.

Standards not yet in effect (new standards and interpretations)

The Group did not decide to apply the published standards or interpretations to these financial statements before such standards and interpretations come into effect.

The following standards and interpretations were issued by the International Accounting Standards Committee or the International Financial Reporting Interpretations Committee, but were not yet effective as of the balance sheet date:

- IFRS 9 *Financial Instruments*

The new standard was published on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The aim of this standard is to arrange the classification of financial assets and introduce uniform approach principles for the assessment of the loss in value related to all financial instruments. The standard also introduces a new model of hedge accounting intended to harmonise the rules on recognizing information on risk management in financial statements.

The Group will apply the new standard as of 1 January 2018.

As of the preparation date of these financial statements, it is impossible to credibly assess the effect of applying the new standard. The Group has started an analysis of the effects of applying the new standard.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. The new standard is temporary due to the ongoing work of the IASB on the issue of accounting for transactions in terms of price regulation. The standard introduces the principles of recognising assets and liabilities arising due to price-regulated transactions in the case where an entity decides to transition to the IFRS.

The Group will apply the new standard not earlier than on the day agreed upon with the European Union as the effective date of this standard. Due to the temporary nature of the standard, the European Commission decided not to commence the formal procedure of standard confirmation and instead wait for the target standard.

Application of the new standard will not have any impact on the Group's Financial Statements.

- IFRS 15 *Revenue from contracts with customers*

The new unified standard was published on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018 (initially 2017); it is allowed to apply it earlier. The standard determines a uniform structure for recognising revenues and provides principles that will replace most of the currently existing detailed guidelines of the IFRS on recognising revenues, in particular the guidelines contained in IAS 18 Revenue, IAS 11 Construction Contracts and in the interpretations related to these documents. On 11 September 2015, the International Accounting Standards Board published a draft of changes in the adopted standard, adjourning its effective date by one year.

As of the preparation date of these financial statements, it is impossible to credibly assess the effect of applying the new standard. The Group has started an analysis of the effects of applying the new standard.

- IFRS 16 *Leases*

The new standard was published on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019; it is allowed to apply it earlier (but on the condition that IFRS 15 is applied at the same time). The standard replaces the existing lease regulations (inter alia, IAS17) and completely changes the approach to lease agreements of various types demanding that the lessees recognize in the balance sheets the assets and liabilities due to the lease agreements concluded, regardless of their type.

As of the preparation date of these financial statements, it is impossible to credibly assess the effect of applying the new standard. The Group has started an analysis of the effects of applying the new standard.

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016 (currently the effective date is postponed with no indication of the initial date). These amendments specify the manner of recognition for transactions which do not constitute "a business" as defined in IFRS 3 "Business Combinations" and in which the controlling entity loses control over its subsidiary by the sale of the entirety or a part of its interests in this subsidiary to an associate or a joint venture recognised by the equity method.

The Group will apply the amendments in the standard not earlier than on the day agreed upon with the European Union as the effective date of this standard. The European Commission has decided to defer the formal standard approval procedure.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standards.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses.*

The amendments to IAS 12 were published on 19 August 2016 and apply to annual periods beginning on or after 1 January 2017. Their purpose is to clarify the requirements on recognition of deferred tax assets regarding debt instruments measured at fair value.

In the Group's opinion, applying the amended standard will not materially affect the Group's financial statements.

- Amendments to IAS 7 *Disclosure Initiative*

The amendments to IAS 7 were published on 29 January 2016 and apply to annual periods beginning on or after 1 January 2017. The amendments were intended to improve information provided to users of financial statements about an entity's financing activities through additional disclosures of changes of the carrying value of liabilities related to financing the entity's activities.

In the Group's opinion, applying the amended standard will not materially affect its financial statements, except for a change in the scope of disclosures in the financial statements.

- Clarifications to IFRS 15 *Revenue from Contracts with Customers*

Clarifications to IFRS 15 were published on 12 April 2016 and they are effective for annual periods beginning on or after 1 January 2018 (same effective date as the standard itself). The purpose of the amendments to the standard was to clarify doubts during pre-implementation analysis regarding: identifying the performance obligation, application guidance in respect of principal versus agent considerations as well as revenue recognition on licences for intellectual property or finally the interim period after the first application of the new standard.

In the Group's opinion, applying the amended standard will not materially affect the Group's financial statements.

- Amendments to IFRS 2: *Classification and measurement of share based payment transactions*

The amendments to IFRS 2 were published on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018.

The amendments to the standard were intended to specify in more detail the recognition of certain types of share based payment transactions.

In the Group's opinion, applying the amended standard will not materially affect the Group's financial statements.

- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, published on 12 September 2016.

They apply to annual periods beginning on or after 1 January 2018.

In the Group's opinion, the application of the amended standards will not affect the Group's financial statements.

The IFRS, as approved by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, interpretations and amendments thereto which were not approved by the EU as of the approval date of these financial statements for publication.

- IFRS 9 *Financial Instruments*, published on 24 July 2014,
- IFRS 14 *Regulatory Deferral Accounts*, published on 30 January 2014,
- IFRS 15 *Revenue from Contracts with Customers*, published on 28 May 2014 (as amended),
- IFRS 16 *Leases*, published on 13 January 2016,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, published on 11 September 2014,
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*, published on 19 January 2016,
- Amendments to IAS 7 *Disclosure Initiative*, published on 29 January 2016,
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*, published on 12 April 2016,
- Amendments to IFRS 2: *Classification and measurement of share based payment transactions*, published on 20 June 2016,
- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, published on 12 September 2016.

2.4. Presentation currency, transactions in foreign currencies and measurement of items expressed in foreign currencies

Functional and presentation currency

The Polish zloty is the functional currency of the parent company as well as the presentation currency for these Interim Condensed Consolidated Financial Statements.

These Interim Condensed Consolidated Financial Statements are presented in Polish zloty (PLN). Unless indicated otherwise, all figures are stated in thousand PLN.

Principles adopted for converting financial data

The financial data in the financial statements of ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH presented in EUR have been translated in accordance with the following methods:

– individual items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland, in force as of the balance sheet date; as of 30 September 2016 this exchange rate stood at: EUR 1 = PLN 4.3120, as of 31 December 2015: EUR 1 = PLN 4.2615 and as of 30 September 2015: EUR 1 = PLN 4.2386;

– individual items of the statements of comprehensive income and cash flows statements were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month; for the first three quarters of 2016, the exchange rate stood at: EUR 1 = PLN 4.3688; for the first three quarters of 2015: EUR 1 = PLN 4.1585.

The financial data in the financial statements of ACTION (GUANGZHOU) TRADING CO., LTD expressed in CNY were converted as follows:

– individual items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland as of the balance sheet date; as of 30 September 2016, the exchange rate stood at CNY 1 = PLN 0.5777.

– individual items of the statements of comprehensive income and cash flows statements were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland on the last day of each month; for Q3 2016, the exchange rate stood at CNY 1 = PLN 0.5847.

3. Major estimates and judgments

Drawing up the financial statements requires the Management Board to make certain estimates as certain data included in the financial statements cannot be measured in a precise manner. The Management Board verifies the estimates adopted on the basis of changes in factors taken into consideration in order to make the said estimates, new data or past experience. Therefore, the estimates as of 30 September 2016 may change in the future.

Presented below are the areas where the estimates as of the reporting date carry a risk of material adjustments of the carrying value of the assets and liabilities disclosed in the next or subsequent financial years.

3.1. Useful lives of property, plant and equipment, and intangible assets

As of 30 June 2016, the Group companies estimated the useful lives of PP&E and intangible assets. According to the analysis, certain useful lives needed to be adjusted (extended) to the planned/actual useful lives.

3.2. Impairment of goodwill and other intangible assets in subsidiaries

As of 30 June 2016, the Group's companies assessed whether there were any indications of impairment of investments in subsidiaries (goodwill and other intangible assets).

Having analysed external and internal sources of information, the Management Board did not identify any indications (except for the situation of LAPADO Handelsgesellschaft GmbH) that it may be necessary to recognise an additional impairment loss.

As of the date of these statements, the analysis of LAPADO Handelsgesellschaft GmbH's economic situation was not complete. ACTION S.A.'s Management Board sees the need for action to limit that company's negative effect on the Group's results.

3.3. Taxes

Given the complexity of the tax law, inconsistent tax interpretations and fiscal stringency, the Company has assessed the related risks. Deferred tax assets and provisions are recognised with respect to those items which will require a tax payment within a short period of time, assuming that a taxable income is generated at a level allowing those amounts to be settled.

Like many other entities from the IT sector, ACTION S.A. is subject to intense fiscal inspections and explanatory proceedings, particularly in the area of correctness of VAT settlements.

At present, there are six inspections taking place in the Company concerning the accuracy of the declared tax base and the correctness of the calculation and payment of the goods and services tax, and, in one case, 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 selected months from the years 2008-2015.

One of the inspections concerning VAT for 2008 resulted in three decisions. Currently, there are ongoing legal disputes related to those decisions. The disputed amount is approx. PLN 7,000 thousand. Therefore, in the result for 2013 a provision for future VAT liabilities of PLN 3,500 thousand was established, reflecting the Management Board's estimates of the risks of the potential tax refund. ACTION S.A. has paid the amounts resulting from the above-mentioned decisions of the Fiscal Inspection Office in full.

On 22 June 2016, the Company received a decision of the Head of the Tax Office in Olsztyn concerning an inspection of the accuracy of the declared tax base and the correctness of VAT calculated and paid for individual settlement periods from July 2011 to January 2012.

Based on the decision of the Head of the Tax Office in Olsztyn of 07.06.2016 on VAT for individual months from July 2011 to January 2012, the Head established a tax liability on account of VAT for individual months in that period and found that the Company artificially increased input VAT to be deducted in the total amount of PLN 22,564,064 (with late payment interests, that amount is PLN 33,260,264.18). That decision was upheld by the Tax Chamber in Warsaw. The Company plans to appeal against that decision and file a complaint with the Voivodeship Administrative Court in Warsaw in the next few days.

In the Company's opinion, considering: a) the claims made by tax authorities concerning the Company's non-existent liability for the tax obligations of third parties which, in earlier transactions on goods, failed to pay VAT to the State Treasury; b) the rules on restrictions in settling liabilities during restructuring and the rules on concluding an arrangement with creditors; c) the Company's decision to file a complaint with a court and the court appeal procedure, the Company currently assesses the risk of the obligation to pay the above amounts as low. The Company would like to stress that this assessment is consistent with the Position of the Management Board on the reservations expressed by an independent statutory auditor in the Report on the review of semi-annual condensed financial statements for the period from 1 January 2016 to 30 June 2016, and it may change depending on the circumstances cited in the Position.

On 20 July 2016, the Company received a decision of the Head of the Tax Office in Warsaw concerning an inspection of the accuracy of the declared tax base and the correctness of VAT calculated and paid for January and February 2013.

Based on the decision of the Head of the Tax Office in Warsaw of 29.06.2016 on VAT for January and February 2013, the Head established a tax liability on account of VAT in that period and found that the Company artificially increased input VAT to be deducted in the total amount of PLN 35,963,115.97 (with late payment interests, that amount is PLN 46,888,906.54). The Company filed an appeal against that decision with the Tax Chamber in Warsaw.

Both decisions claim a non-existent liability of the Company for the tax obligations of third parties which, in earlier transactions on goods, failed to pay VAT to the State Treasury. The Company does not recognise that claim because it acted in accordance with the law and was not aware of any third party irregularities in earlier transactions on goods. The Company properly performed its regulatory obligations under the disputed decisions. In the last few years, the Company has paid to the State Treasury more than PLN 500 million and more than PLN 100 million worth of VAT and CIT respectively.

The Company is of the opinion that, in any case, it may not be made liable for any third party tax irregularities for which it bears no fault.

No provisions have been recognised for the above decisions.

Other proceedings remain ongoing and at this stage their outcome cannot be foreseen. The Company has always exercised the utmost diligence in concluding transactions, remained cautious in establishing cooperation and acted in good faith in accordance with the procedures adopted by the Company and the highest standards of cooperation.

The Fiscal Inspection Office issued a decision of 17 November 2016 concerning the Issuer's subsidiary, SFK Sp. z o.o., with its registered office in Krakow, on securing any future VAT liabilities for the period from September 2014 to May 2015 in the approximate amount of PLN 5,983,218.00 (including late payment interest amounting to PLN 872,400.00) and on VAT liabilities, to be paid under Article 108 of the Act on the goods and services tax, for the period from September 2014 to May 2015 in the approximate amount of PLN 3,144,702.00 (including late payment interest amounting to PLN 471,032.00). The above decision is not final in the administrative proceedings in the current instance. SFK Sp. z o.o. will appeal against that decision. Given the amounts covered by that decision, SFK Sp. z o.o. decided to begin preparing a bankruptcy application.

3.4. Employee benefits

The present value of retirement and disability benefits is established using the actuarial method. In order to determine the said value using the actuarial method, it is necessary to adopt certain assumptions concerning discount rates, projected pay rises or projected increases for retirement benefits. Given the complexity of the measurement, the assumptions adopted as well as their long-term nature, the liabilities on account of retirement and disability benefits are sensitive to changes in assumptions. All assumptions are verified on every balance sheet date.

3.5. Recognition of the costs of products, goods and materials sold

On each balance sheet date, the Group measures the post-transaction discounts that are due from suppliers but have not been provided by the balance sheet date. The estimates are based on the rules for awarding discounts agreed with the suppliers and evidenced in agreements or other arrangements in amounts confirmed by suppliers.

3.6. Write-downs on receivables

The Group companies reevaluate receivables on a regular basis by recognising write-downs, taking into account the probability that the receivables will be paid. That probability is assessed based on, among other things, the judgment of the management regarding the recoverability of overdue receivables and an assessment of the risk of non-recoverability of receivables which are not overdue.

4. Information on business segments

Since 1 January 2010, the ACTION S.A. Capital Group has been obliged to present its results using the layout defined in IFRS 8 *Operating Segments*.

This standard defines the segment as a part of an entity:

- which engages in business activities from which it may derive revenues and incur expenses;
- whose operating results are regularly reviewed by the main authority in charge of making operating decisions in the entity and which uses these results to make decisions on allocating resources to a segment;
- for which separate financial information is available.

According to the definitions included in IFRS 8, the Group's business is based on the distribution of IT products, including: ready-to-use solutions, consumer electronics and components, and is presented in these statements in a single operating segment because:

- sales revenues and profits derived from that business exceed, in total, 93% of the revenues generated by the Capital Group;
- no separate financial information for individual sales channels is prepared, considering the industry-specific collaboration with suppliers whose products are distributed through all sales channels;
- in the absence of separate segments, i.e. there is no separate financial information for individual product groups, operating decisions are made based on a number of detailed analyses and financial results from the sale of all products in all distribution channels;

- the Management Board of ACTION S.A. in restructuring, the main body responsible for making operating decisions, given the specific nature of distribution in individual sales channels makes decisions to allocate resources based on the generated and projected results of the Capital Group as a whole as well as based on the planned returns from the allocated resources and analyses of the operating environment.

5. Revenues and expenses

5.1. Seasonal nature of sales

The Group records the highest sales in the fourth quarter of the financial year, i.e. between October and December. In other quarters, sales remain at a similar level. However, this does not imply that sales revenues are seasonal or cyclical in any significant way.

5.2. Sales revenue

The entire sales revenues are related to the sale of computer hardware, consumer electronics, household appliances and IT accessories.

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Revenues from the sale of products (services)	46 322	70 753
Revenue from sale of goods and materials	2 514 491	3 660 580
	2 560 813	3 731 333

5.3. Costs by type

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Depreciation/amortisation of tangible assets and intangible assets	8 928	9 506
Employee benefit costs	59 725	57 029
Consumption of materials and energy	6 331	6 642
Third party services	61 506	68 328
Taxes and charges	2 479	2 627
Advertising costs	29 929	30 917
Property and personal insurance	703	912
Other prime costs	1 732	1 720
Costs of products, goods and materials sold, including:	2 398 228	3 523 435
- write-down on inventory	-705	-529
Total costs of products, goods and materials sold, sales and marketing costs and general administrative expenses	2 569 561	3 701 116

5.4. Employee benefit costs

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Payroll	49 766	47 767
Social insurance and other benefits	9 959	9 262
	59 725	57 029

5.5. Other operating revenues and profits

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Surplus of exchange rate gains	65	91
Revenue from measurement of financial instruments	0	0
Interest revenue	373	751
Revenue from overdue liabilities	559	1 095
Revenue from compensations received	673	560
Revenue from provisions released	0	672
Revenue from donations received	189	493
Other revenue	415	723
Profit on disposal of non-financial non-current assets	137	47
	2 411	4 432

5.6. Other expenses and losses

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Surplus of exchange rate losses	50	692
Expenses due to compensations paid	351	396
Expenses due to measuring financial instruments	14	41
Expenses due to write-downs on receivables	6 629	1 352
Expenses due to write-off of receivables	56	53
Expenses due to disposal of non-financial non-current assets	0	0
Expenses due to interest on liabilities	283	0
Expensed due to donations given	2	5
Expenses due to write-downs on financial assets	0	0
Other expenses	196	237
	7 581	2 776

5.7. Financial expenses

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Interest on loans and borrowings	2 244	1 997
Interest on lease	186	196
Interest and discount due to factoring	1 712	1 038
Interest on bonds	1 598	2 396
	5 740	5 627

5.8. Income tax

	For the period 1.01.2016 – 30.09.2016	For the period 1.01.2015 – 30.09.2015
Current tax	1 224	2 811
Deferred tax	-3 067	2 223
	-1 843	5 034

Deferred tax

Presented below is the deferred income tax subject to offsetting:

	30.09.2016	31.12.2015
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	8 761	13 848
	8 761	13 848
Deferred income tax provisions:		
– deferred income tax provisions falling due within 12 months	11 833	20 421
	11 833	20 421
Deferred income tax assets	130	35
Deferred income tax provisions	3 202	6 608
Deferred income tax assets/provisions (per balance)	-3 072	-6 573

Changes in the deferred income tax (with the set-off of assets and provisions taken into account) are as follows:

	30.09.2016	31.12.2015
Opening balance	-6 573	-6 851
Increase/decrease in financial result	3 067	1 503
Increase/decrease in equity	434	-1 225
Closing balance	-3 072	-6 573

5.9. Property, plant and equipment

In the period covered by the report, the Group incurred capital expenditures of PLN 2,563 thousand.

5.10. Investment property

Investment property with a total value of PLN 3,545 thousand comprises perpetual usufruct titles to land and ownership titles for buildings used thus far for operating activities in the amount of PLN 2,807 thousand

with notarial fees in the amount of PLN 24 thousand and expenditures on initiated investments in the amount of PLN 714 thousand, reclassified from PP&E.

Investment property, excluding perpetual usufruct titles to land, is measured at the acquisition price, less depreciation. Perpetual usufruct titles are not subject to depreciation. The net value of buildings which represent investment property is PLN 0.

As of the date of these interim condensed financial statements, there were no restrictions in place on the Company's use of investment property, deriving economic benefits from rent or disposal of the aforesaid real property. Investment property does not secure any liabilities due to loans, borrowings or transactions.

5.11. Inventory

	30.09.2016	31.12.2015	30.09.2015
Materials	0	0	0
Goods	314 002	463 213	520 709
Advances on deliveries		0	0
	314 002	463 213	520 709
Write-downs on inventory	-3 683	-2 978	-1 749
Inventory	310 319	460 235	518 960

Write-downs on inventory

	30.09.2016	31.12.2015	30.09.2015
Opening write-down on inventory	-2 978	-1 220	-1 220
Created (Costs of products, goods and materials sold)	-705	-1 758	-529
Used	0	0	0
Released (Costs of products, goods and materials sold)	0	0	0
Closing write-down on inventory	-3 683	-2 978	-1 749

The write-down was established as a result of the revaluation of merchandise based on inventory aging. The Group did not hold any inventory measured at the net sale price as of 30 September 2016 and 31 December 2015.

5.12. Write-downs on trade and other receivables

	30.09.2016	31.12.2015	30.09.2015
Opening write-downs on receivables	-15 265	-13 501	-13 501
Established	-6 673	-2 822	-1 424
Used	4 052	283	270
Released	44	775	743
Closing write-downs on receivables	-17 842	-15 265	-13 911

5.13. Loans, borrowings and other liabilities due to financing

	30.09.2016	31.12.2015	30.09.2015
Long-term			

Investment loan	14 879	23 534	26 416
Lease liabilities	8 019	9 971	10 533
Borrowings	0	0	1 000
Liabilities on account of bonds	100 000	100 000	100 000
	122 898	133 505	137 949
Short-term			
Overdraft facility and investment loan	146 811	108 897	125 782
Lease liabilities	3 120	3 953	4 410
Borrowings	1 000	1 000	0
Liabilities on account of bonds	0	1 573	640
	150 931	115 423	130 832
Total	273 829	248 928	268 781

Aging structure of liabilities arising from loans, borrowings and other liabilities due to financing

	30.09.2016	31.12.2015	30.09.2015
Liabilities maturing from the balance sheet date			
Up to 1 year	150 931	115 423	130 832
1 to 5 years	273 829	133 505	137 949
Over 5 years		0	0
Total	273 829	248 928	268 781

Lease liabilities

	30.09.2016	31.12.2015	30.09.2015
Nominal value of minimum lease fees			
Up to 1 year	3 268	4 202	4 632
1 to 5 years	8 350	10 329	11 014
Over 5 years	0	00	0
Total finance lease liabilities – total minimum lease fees	11 618	14 531	15 646
Financial expenses due to finance lease	479	607	703
Present value of minimum lease fees			
Up to 1 year	3 012	3 953	4 410
1 to 5 years	8 127	9 971	10 533
Over 5 years	0	0	0
Total present value of minimum leasing fees	11 139	13 924	14 943

5.14. Hedge accounting

The Company hedges against foreign exchange risk relating to the sales indexed at the EUR and USD exchange rate as denominated in EUR and USD using currency cash items, i.e. trade liabilities less trade receivables and cash and increased/decreased by the denomination of FX Forwards and FX Swaps for

currency sales/purchase. The Company indicates designated currency cash items as hedging instruments in the cash flow hedging model and recognises them in accordance with the hedge accounting principles. Presented in the tables below are the basic parameters of currency cash items designated for hedging instruments, including the periods when cash flows from cash flow hedging occur and when they influence the financial result as well as their fair value in Polish zloty as of 30 September 2016.

Hedging instruments – EUR

(amounts in Polish zloty)

Type of instrument	Nominal value		Fair value*		Expected realisation period for the hedged item	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Trade liabilities	-48 860 511	-174 535 657	-48 860 511	-174 535 657	October/November 2016	October/November 2015
Trade receivables	96 931 453	84 111 930	96 931 453	84 111 930	October/November 2016	October/November 2015
Cash	11 418 927	-	11 418 927	-	October/November 2016	October/November 2015
FX Forward EUR	-	-12 715 800	-	-126	October/November 2016	October/November 2015
Loans	-49 134 220	-76 186 580	-49 134 220	-76 186 580	October/November 2016	October/November 2015
Finance lease	-10 355 648	-14 098 307	-10 355 648	-14 098 307	October/November 2016	October/November 2015
Total cash items	0	-193 424 414	0	-180 708 742		

Hedging instruments – USD

(amounts in Polish zloty)

Type of instrument	Nominal value		Fair value*		Expected realisation period for the hedged item	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Trade liabilities	-68 281 029	-75 185 371	-68 281 029	-75 185 371	October/November 2016	October/November 2015
Trade receivables	26 997 761	33 990 920	26 997 761	33 990 920	October/November 2016	October/November 2015
Cash	1 101 134	-	1 101 134	-	October/November 2016	October/November 2015
FX Forward USD	-	4 676 852	-	87	October/November 2016	October/November 2015
Loans	-23 852 963	-11 586 412	-23 852 963	-11 586 412	October/November 2016	October/November 2015
Finance lease	-	-	-	-	October/November 2016	October/November 2015
Total cash items	-64 035 117	-48 104 011	-64 035 117	-52 780 777		

* For items other than FX Forwards, the carrying value is provided. In the Company's opinion, the carrying values of those items do not differ significantly from their fair value.

Change in the fair value of cash flow hedges recognised in equity
 (amounts in Polish zloty)

	9 months to 30 September 2016	9 months to 30 September 2015
Opening balance	2 055 180	-4 391 785
Effective portion of profits/losses on the hedging instrument	6 652 860	-6 592 278
Amounts recognised in the profit and loss account, of which	8 939 668	-9 958 100
- adjustment of other revenues and profits/other expenses and losses	8 939 668	-9 958 100
- adjustment due to ineffective hedge	-	-
Closing balance	-231 628	-1 025 963

6. Contingent assets and liabilities

As of 30 September 2016, the Group held contingent receivables due to repayment of receivables in the amount of PLN 9,411 thousand. Security liabilities under agreements signed as of the reporting date which are not reflected in the Group's interim consolidated condensed financial statements amounted to PLN 28,394 thousand as of 30 September 2016 and PLN 27,662 thousand as of 31 December 2015.

	30.09.2015	31.12.2015	30.09.2015
1. Contingent receivables	9 411	9 400	9 765
1.1. From other parties under:	9 411	9 400	9 765
- guarantees and sureties received	9 411	9 400	9 765
2. Contingent liabilities	28 394	27 662	43 542
2.1. Due to other parties under:	28 394	27 662	43 542
- guarantees and sureties granted	18 029	8 216	8 063
- letters of credit	10 365	19 446	35 479
3. Other (under)	0	0	0
Total off-balance sheet items	37 805	37 062	53 307

7. Events after the balance sheet date

The Company is subject to restructuring proceedings under the Restructuring Law Act of 15 June 2015. The proceedings were initiated on 1 August 2016 by the District Court for the Capital City of Warsaw, Commercial Department for Liquidation and Restructuring Proceedings.

On 2 November 2016, a restructuring plan and a list of debts of ACTION S.A. in restructuring were filed with the District Court for the capital city of Warsaw. The documents have not yet been approved under the appropriate procedure.

According to Article 89 section 2, in connection with Article 455 section 1 of the Restructuring Law, the submission date of the list of debts is announced in the Court and Commercial Gazette. By the preparation date of this report, the announcement has not been made.

In connection with the Order of the Official Receiver of 15 September 2016, issued in the restructuring of ACTION S.A. (file ref. no. X GRs 8/16), the Company submitted a list of the restructuring estate. Furthermore, the first accounting statement was submitted for the period from 1 August 2016 to 30 September 2016. The statement was verified by a statutory auditor who audited the Issuer's financial statements.

According to the statement, the Company settles its financial liabilities occurring after 01.08.2016.

III. Other quarterly financial information

1. Description of the Issuer's material achievements and failures in the period covered by the report, and a list of major related events

	Q3 2016	Q3 2015
Net sales	665 653	1 171 456
Gross profit on sales	36 041	68 806
<i>gross margin</i>	<i>5,4%</i>	<i>5,9%</i>
EBIT	-17 752	9 143
<i>EBIT margin</i>	<i>-2,7%</i>	<i>0,8%</i>
Net profit	-15 471	6 239
<i>net margin</i>	<i>-2,3%</i>	<i>0,5%</i>

In Q3 2016, the Group generated sales revenues amounting to PLN 665,653, down by 43% compared to sales in the same period a year earlier.

In that period, the Group made a sales profit of PLN 36,041 thousand and an operating loss of PLN 17,752 thousand. The ACTION S.A. Capital Group's net loss in Q3 2016 amounted to PLN 15,471 thousand.

Despite difficult market conditions, the initiated restructuring of the parent company, ACTION S.A., intense competition and price pressure, the Group's gross sales margin was approximately 10% lower compared to the same period a year earlier, i.e. 5.4%. The Group's results were affected by the above factors and major changes in the market environment where the ACTION S.A. Group operates.

The ACTION S.A. Capital Group's consolidated sales revenues in the first three quarters of 2016 amounted to PLN 2,560,813 thousand, down by PLN 1,170,520 thousand (31.4%) compared to the same period of 2015.

In the first three quarters of 2016, the Group made an operating loss of PLN 13,918 thousand, which represents a difference of PLN 45,791 thousand compared to the same period of 2015.

In the first three quarters of 2016, the net loss attributable to the Company's Shareholders amounted to PLN 15,263 thousand, down by PLN 37,773 thousand compared to the same period of 2015.

In the opinion of the ACTION S.A. Management Board, the 2016 results were mainly affected by an observable slowdown in the second and the third quarter of 2016, a change in the market environment, the parent company's restructuring and the absence of breakthroughs in the industry.

In the last quarter of 2016, an increase in demand for the goods offered by the Group companies is expected, in particular in connection with:

- the pre-holiday period, which is normally a period of high demand for our products,

- finding new business partners and products corresponding to the current demand,
- a material change of the Company's management strategy,
- effective use of the potential of existing sales channels,
- further consolidation of ACTION EUROPE's position on the German market.

2. Description of factors and events, especially of a non-typical nature, having a material effect on the financial results

In the period covered by the report, the results were mainly affected by the initiation of Restructuring Proceedings with respect to the Parent Company. The initiation of the Proceedings has caused a number of interruptions affecting the Company's business, both during the proceedings and at the time of publication of this report. Major negative effects on the ACTION Capital Group's results include:

1. Actions by credit insurers:

- a) restriction of deliveries, even with advance payment (mainly at the initial stage of the Proceedings)
 - b) reduction to zero of credit limits for companies from the ACTION Capital Group.
2. Reduction to zero or other restrictions by the banks on the use of financial instruments.

In addition, the Company made a number of strategic decisions to implement restructuring measures included in the Restructuring Plan. The key decisions are:

- a) abandoning or limiting sales channels with the lowest profitability and with the longest terms of payment,
- b) intensifying activities to improve the warehouse aging structure.

3. Issue, redemption and repayment of non-equity and equity securities

On 4 July 2014, ACTION S.A. issued 10,000 bearer, dematerialised, coupon, unsecured series ACT01040717 bonds with a nominal value of PLN 10,000 each and a total nominal issue value of PLN 100,000,000.

The bonds were issued pursuant to Article 9 item 3 of the Bonds Act (non-public issue) and as part of the ACTION S.A. Bonds Issue Programme.

The issue price of the Bonds was equivalent to their nominal value. The bonds will be redeemed on 4 July 2017 at their nominal value. The Bonds bear interest according to the variable interest rate based on WIBOR 6M, plus a fixed margin. Interest is payable every six months.

Series ACT01040717 bonds were introduced to trading on the CATALYST market, operated by BondSpot S.A. as an alternative trading system. The first quotation was on 9 September 2014.

The Bondholders' claims due to interest on series ACT01040717 bonds, maturing after the initiation date of the restructuring proceedings:

a) are subject to an arrangement by virtue of the law, under Article 150 section 1 item 1) of the Restructuring Law Act (interest due for the period before the proceedings were initiated); Article 150 section 1 item 2) of the Restructuring Law Act (interest due for the period from the initiation date of the proceedings), in connection with Article 366 section 1 item 2) of the Restructuring Law Act;

b) therefore, under Article 252 section 1 of the Restructuring Law Act, the considerations under the above-mentioned claims cannot be fulfilled before the completion of the restructuring proceedings.

4. Information on dividend paid/declared

On 23 June 2016, the Ordinary General Shareholders' Meeting of ACTION S.A. adopted a resolution on the dividend payout for 2015 in the amount of PLN 1/share.

Considering that the resolution on the dividend payout was adopted on 23 June 2016, i.e. before the initiation of restructuring proceedings, the shareholders' claims are subject to an arrangement and the Company may not settle them according to general rules.

5. Position of the Company's Management Board regarding the possibility of fulfilling previously published result forecasts for a given year in light of the results presented in the quarterly report compared to the forecast results

In 2016, no forecasts were published for the ACTION Capital Group.

6. Effects of changes in the Group's structure

On 29 June 2016, ACTION (GUANGZHOU) TRADING CO., LTD was incorporated, with ACTION S.A. holding a 100% share. The company started a wholesale trade business in the food industry in China.

7. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of total votes at the Company's general meeting as of the submission date of the quarterly report, including the number of shares held by such entities, their percentage share in the share capital, the number of votes vested with such shares and their percentage share in total votes at the general meeting, and changes in the Company's ownership structure

According to information available to the Company, those shareholders holding at least 5% of total votes at the GSM as of the submission date of the previous report (for H1 2016), i.e. 29 September 2016, were:

Natural or legal person	Number of shares held	Percentage share in the capital of ACTION S.A.	Number of votes	% share of votes
Piotr Bieliński	3 811 749	22.48%	3 811 749	22.48%
Aleksandra Matyka*	3 093 457	18.24%	3 093 457	18.24%
GENERALI OFE***	1 675 259	9.88%	1 675 259	9.88%
Wojciech Wietrzykowski*	1 199 390	7.07%	1 199 390	7.07%
Nationale-Nederlanden OFE and DFE***	1 058 713	6.24%	1 058 713	6.24%

* As of 25.05.2015

*** As of 02.08.2016

The shareholding structure above 5% as of the preparation date these statements changed, and on 29 November 2016 was as follows:

Natural or legal person	Number of shares held	Percentage share in the capital of ACTION S.A.	Number of votes	% share of votes
Piotr Bieliński	3 811 749	22.48%	3 811 749	22.48%
Aleksandra Matyka*	3 093 457	18.24%	3 093 457	18.24%
Wojciech Wietrzykowski*	1 199 390	7.07%	1 199 390	7.07%
Nationale-Nederlanden OFE and DFE***	1 058 713	6.24%	1 058 713	6.24%

* As of 25.05.2015

*** As of 02.08.2016

8. Summary of changes in the holding of the Company's shares or share rights (options) by the Company's managers and supervisors according to information available to the Company

As of the submission date of the report for H1 2016, i.e. 29 September 2016, the following managers and supervisors held ACTION S.A.'s shares:

Name	Function in the corporate bodies of ACTION S.A.	Number of ACTION S.A. shares
Piotr Bieliński	President of the Management Board	3 811 749
Edward Wojtyśiak	Vice-President of the Management Board	0
Sławomir Harazin	Vice-President of the Management Board	15 017
Iwona Bocianowska	Chairman of the Supervisory Board	0
Piotr Chajderowski	Member of the Supervisory Board	0
Marek Jakubowski	Member of the Supervisory Board	0
Piotr Kosmala	Member of the Supervisory Board	0
Karol Orzechowski	Member of the Supervisory Board	0
Wojciech Wietrzykowski	Proxy	1 199 390
Andrzej Biały	Proxy	500

According to information available to the Issuer, the above shareholding had not changed as of the submission date of this report for Q3 2016, i.e. 29 November 2016, and is as follows:

Name	Function in the corporate bodies of ACTION S.A.	Number of ACTION S.A. shares
Piotr Bieliński	President of the Management Board	3 811 749
Edward Wojtyśiak	Vice-President of the Management Board	0
Sławomir Harazin	Vice-President of the Management Board	15 017
Iwona Bocianowska	Chairman of the Supervisory Board	0
Piotr Chajderowski	Member of the Supervisory Board	0
Marek Jakubowski	Member of the Supervisory Board	0
Piotr Kosmala	Member of the Supervisory Board	0
Karol Orzechowski	Member of the Supervisory Board	0
Wojciech Wietrzykowski	Proxy	1 199 390
Andrzej Biały	Proxy	500

9. Material proceedings pending before court, competent arbitration authority or public administration authority

The following proceedings with respect to the Company are pending before administration authorities:

1. Head of the Fiscal Inspection Office in Olsztyn: inspection of the accuracy of declared tax base and the correctness of VAT calculated and paid for the period 01.07.2011-31.01.2012. Case ref. no.: UKS2891/W2P1/42/140/14. Decision no. UKS2891/W2P1/42/140/14/181/025 of 07.06.2016 was issued. The Company filed an appeal with the Tax Chamber in Warsaw. In its decision of 24.10.2016, the Tax Chamber in Warsaw upheld the decision of the Fiscal Inspection Office in Olsztyn. Amounts due under the above-decision plus late payment interest as of 31.07.2016 are: PLN 34,588,321.00. The Company is planning to lodge a complaint with an administrative court.
2. Head of the Fiscal Inspection Office in Warsaw: inspection of the accuracy of declared tax base and the correctness of VAT calculated and paid for January and February 2013. Case ref. no.: UKS1491/W4P3/42/17/13. Decision no. UKS1491/W4P3/42/17/13/249/025 of 29.06.2016 was issued. The

Company filed an appeal with the Tax Chamber in Warsaw. Amounts due under the above-decision plus late payment interest as of 31.07.2016 are: PLN 47,754,701.00.

The Company is subject to restructuring proceedings under the Restructuring Law Act of 15.06.2015. The proceedings were initiated on 01.08.2016 by the District Court for the Capital City of Warsaw. The value of claims under the arrangement by virtue of the law is PLN 412,253,504.47. A list of debts and a restructuring plan have been prepared and submitted in the proceedings. The documents have not yet been approved under the appropriate procedure.

10. Information on the conclusion by the Company or its subsidiary of one or more transactions with related parties if they are material (individually or jointly) and if they are not arm's length transactions, and their value

In the reporting period, the Group did not enter into any unusual transactions with related parties.

11. Information on granting by the Company or its subsidiary of sureties for loans or borrowings or guarantees – jointly to a single entity or its subsidiary if the total amount of the existing sureties or guarantees is an equivalent of at least 10% of the Company's equity

Security liabilities under agreements signed as of 30 September 2016 amounted to PLN 28,394 thousand. The share of guarantees and sureties granted in the Company's equity exceeded 10%. A detailed description of the granted guarantees and sureties is presented in note 6 to the *Condensed Consolidated Financial Statements*.

12. Other information material for assessing HR, economic and financial situation, financial result and ability to fulfil obligations

As of 1 August 2016, the Company is subject to restructuring proceedings under Article 2.4 of the Restructuring Law Act of 15 May 2015. The Company's intention has been to avoid the risk of insolvency and to protect the rights of its creditors. In the absence of an arrangement with the creditors, the restructuring proceedings will be closed due to a failure to conclude an arrangement, and the Company will still be obliged to satisfy its creditors. Depending on the Company's financial situation, this could necessitate initiating bankruptcy proceedings.

13. Factors affecting the Group's results by the end of 2016

The most important factor affecting the Group's results by the end of 2016 will be the parent company's restructuring. Any internal and external factors will predominantly depend on the outcome of the restructuring proceedings.

14. Transactions with related parties

All transactions with subsidiaries were eliminated in the process of consolidation.

ACTION S.A. has personal relations with the following: ACTION CT WANTUŁA Sp. j., ACTIVE TRAVEL Sp. z o. o., ACTIVE SOLUTIONS Sp. o. o. and TYTANID Sp. z o.o., which do not give the Company any control or significant influence.

14.1. Transactions concluded between the Group companies and related parties not subject to consolidation

Presented in the tables below are the amounts of the mutual settlements and transactions concluded between the Group companies and related parties not subject to consolidation.

Data as of 30 September 2016 and for the period from 01.01.2016 to 30.09.2016

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CT WANTUŁA Sp. j.*	125	0	0	0
ACTIVE TRAVEL Sp. z o. o.**	0	5	7	1 214
A.PL INTERNET S.A.***	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o.****	0	29	0	431
ACTION ENERGY Sp. z o.o.*****	0	78	386	3 531
TYTANID Sp. z o.o.*****	0	0	0	0
Total	125	112	393	5 176

*** The gross value of receivables is PLN 815 thousand, including 104 thousand due to borrowing. The write-down amounts to PLN 815 thousand.

Data as of 30 September 2015 and for the period from 01.01.2015 to 30.09.2015

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CT WANTUŁA Sp. j.*	125	0	0	0
ACTIVE TRAVEL Sp. z o. o.**	0	53	9	988
A.PL INTERNET S.A.***	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o.****	172	7	1	588
ACTION ENERGY Sp. z o.o.*****	121	8	1 300	281
TYTANID Sp. z o.o.*****	0	0	0	0
Total	418	68	1 310	1 857

* ACTION CT WANTUŁA Sp. j., with its registered office in Poznań

** ACTIVE TRAVEL Sp. z o.o., with its registered office in Michałów Grabina,

*** A.PL INTERNET S.A., with its registered office in Warsaw

**** ACTIVE SOLUTIONS Sp. z o.o., with its registered office in Warsaw

***** ACTION ENERGY Sp. z o.o., with its registered office in Krakow – excluded from consolidation with effect from 1 January 2015 due to the loss of material influence.

***** TYTANID Sp. z o.o., with its registered office in Zamienie – had not started its business by the approval date of the statements.

14.2. Transactions with associates subject to consolidation

Data as of 30 September 2016 and for the period from 01.01.2016 to 30.09.2016

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CENTRUM EDUKACYJNE Sp. z o. o.	49	0	84	232
SYSTEMS Sp. z o.o.	0	0	0	0
Total	49	0	84	232

Data as of 30 September 2015 and for the period from 01.01.2015 to 30.09.2015

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CENTRUM EDUKACYJNE Sp. z o. o.	23	130	117	747
SYSTEMS Sp. z o.o.	0	0	0	0
Total	23	130	117	747

ACTION ENERGY Sp. z o.o., with its registered office in Krakow – excluded from consolidation with effect from 1 January 2015 due to the loss of material influence.

IV. Statement of the Management Board on the accuracy of the interim condensed financial statements

The interim condensed financial statements of ACTION S.A. in restructuring for the quarter ended 30 September 2016 include: statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and selected explanatory data.

According to the requirements of the Ordinance of Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities, and conditions for recognising as equivalent information required by the laws of a non-member state, and the Ordinance of Minister of Finance of 3 April 2012 amending the Ordinance on current and interim information to be submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 13 April 2012), and subsequent amendments thereto introduced by the Ordinance of Minister of Finance of 25 May 2016 amending the Ordinance on current and interim information to be submitted by issuers of securities, and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of laws of 2016, item 860), the Management Board of ACTION S.A. in restructuring (Issuer, Company, ACTION S.A.) hereby declares that:

- to the best of its knowledge, the interim condensed financial statements and comparative data were prepared in compliance with the accounting principles in force and that they present a true, accurate and fair view of the Company's economic and financial standing, as well as its financial result, and that the Company's semi-annual management report presents a true overview of the Company's development, achievements and situation, including basic risks and exposures.

In the period covered by the financial statements, the Company kept its accounting books in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, published and in force as

of the balance sheet date, and in any matters not regulated by the IFRS – in accordance with the Polish Accounting Act of 29 September 1994.

Piotr Bieliński President of the Management Board	Sławomir Harazin Vice-President of the Management Board	Edward Wojtysiak Vice-President of the Management Board
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Warsaw, 29 November 2016

V. Interim condensed financial statements of ACTION S.A. for the period from 1 January 2016 to 30 September 2016

Selected financial data of ACTION S.A. in restructuring

SELECTED SEPARATE FINANCIAL DATA	PLN '000		EUR '000	
	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015
I. Net revenue from sale of products, goods and materials	2 101 067	3 289 633	480 925	791 062
II. Gross profit/loss on sales	103 998	152 243	23 805	36 610
III. Operating profit/loss	-5 920	33 221	-1 355	7 989
IV. Net profit/loss attributable to the Company's shareholders	-9 304	23 390	-2 130	5 625
V. Net operating cash flows	21 683	27 721	4 963	6 666
VI. Net cash flow from investing activities	-253	-23 928	-58	-5 754
VII. Net cash flow from financing activities	5 655	-86 140	1 294	-20 714
VIII. Net increase (decrease) in cash	27 085	-82 347	6 200	-19 802
IX. Earnings per ordinary share* (in PLN/EUR)	-0.55	1.41	-0.13	0.34
	As of 30.09.2016	As of 31.12.2015	As of 30.09.2016	As of 31.12.2015
X. Total assets	896 105	1 297 742	207 817	304 527
XI. Liabilities	552 896	926 410	128 223	217 391
XII. Long-term liabilities	125 539	139 338	29 114	32 697
XIII. Short-term liabilities	427 357	787 072	99 109	184 694
XIV. Equity attributable to the Company's shareholders	343 209	371 332	79 594	87 136
XV. Share capital	1 696	1 661	393	390
XVI. Number of shares**	16 957 000	16 610 000	16 957 000	16 610 000
XVII. Book value per share*** (in PLN/EUR)	20.24	22.36	4.69	5.25

* Earnings per ordinary share were calculated by dividing Net Profit by Number of Shares.

** The number of shares takes into account the change in the nominal value of series A shares from PLN 1 to PLN 0.10, while dividing 1 share having the value of PLN 1 into 10 shares having the nominal value of PLN 0.10. The change was made on 11.04.2006 by virtue of a resolution of the Extraordinary General Shareholders' Meeting.

*** The book value per share was calculated by dividing Equity by Number of Shares.

PLN to EUR exchange rates

Period	Average exchange rate for the period	Minimum exchange rate for the period	Maximum exchange rate for the period	Exchange rate on the last day of the period
01.01.2016-30.09.2016	4.3688	4.2684	4.4405	4.3120
01.01.2015-31.12.2015	4.1848	4.0337	4.2386	4.2615
01.01.2015-30.09.2015	4.1585	4.0337	4.2386	4.2386

Selected financial data presented in the financial statements were converted into the euro in the following manner:

- items in the statement of comprehensive income and the cash flow statement were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month; for the first 3 quarters of 2016 this exchange rate stood at: EUR 1 = PLN 4.3688, for the first 3 quarters of 2015: EUR 1 = PLN 4.1585;

- items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland, in force as of the balance sheet date; as of 30 September 2016, this exchange rate stood at: EUR 1 = PLN 4.3120, as of 31 December 2015: EUR 1 = PLN 4.2615 and as of 30 September 2015: EUR 1 = PLN 4.2386.

Statement of comprehensive income

All revenues and expenses refer to continued operations.

	First 3 quarters, cumulative 01.01.2016 to 30.09.2016	Q3 01.07.2016 to 30.09.2016	First 3 quarters, cumulative 01.01.2015 to 30.09.2015	Q3 01.07.2015 to 30.09.2015
Sales revenue	2 101 067	522 944	3 289 633	1 006 403
Costs of products, goods and materials sold	-1 997 069	-505 957	-3 137 390	-955 006
Gross profit on sales	103 998	16 987	152 243	51 397
Sales and marketing costs	-90 163	-23 730	-101 527	-36 404
General administrative expenses	-18 125	-6 342	-18 774	-5 227
Other operating revenues and profits	3 749	928	3 048	1 166
Other expenses and losses	-5 379	-3 759	-1 769	-731
Operating profit/loss	-5 920	-15 916	33 221	10 201
Financial expenses	-5 281	-955	-5 291	-1 698
Profit/loss before tax	-11 201	-16 871	27 930	8 503
Income tax	1 897	2 551	-4 540	-1 558
Net profit/loss for the financial period	-9 304	-14 320	23 390	6 945
Other items of comprehensive income				
Net movement due to cash flow hedges	-2 286	687	3 366	1 745
Income tax	434	-131	-640	-332
Other items of net comprehensive income	-1 852	556	2 726	1 413
Total income for the period	-11 156	-13 764	26 116	8 358
Profit attributable to the Company's shareholders per ordinary share (expressed in PLN per share)				
basic	-0.55	-0.84	1.41	0.42
diluted	-0.55	-0.84	1.38	0.41
Number of shares	16 957 000	16 957 000	16 610 000	16 610 000
Diluted number of shares	16 957 000	16 957 000	16 957 000	16 957 000

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President of the Management Board

Sławomir Harazin
Vice-President of the Management
Board

Edward Wojtysiak
Vice-President of the Management
Board

Warsaw, 29 November 2016

Statement of financial position

	30.09.2016	31.12.2015	30.09.2015
ASSETS			
Non-current assets			
Property, plant and equipment	171 111	177 170	178 875
Goodwill	0	0	0
Other intangible assets	9 832	10 666	11 007
Investment property	6 673	6 673	6 673
Financial assets	41 734	41 448	40 899
	8 505	8 623	0
Deferred income tax assets	0	0	0
Trade and other receivables	0	0	0
	237 855	244 580	237 454
Current assets			
Inventory	253 050	383 286	445 950
Trade and other receivables	331 059	619 504	522 722
Receivables from current income tax	4 663	8 980	9 275
Derivative financial instruments	0	14	0
Other financial assets	17 329	16 314	26 404
Cash and cash equivalents	52 149	25 064	20 656
	658 250	1 053 162	1 025 007
Total assets	896 105	1 297 742	1 262 461
EQUITY			
Share capital	1 696	1 661	1 661
Share premium	62 231	58 112	58 112
Other reserve capitals	30 000	34 164	30 000
Retained earnings	249 470	275 731	275 033
Other equity items	-188	1 664	-831
Total equity	343 209	371 332	363 975
LIABILITIES			
Long-term liabilities			
Loans, borrowings and other liabilities due to financing			
Deferred income tax provisions	122 622	133 011	136 428
	2 917	6 327	9 800
	125 539	139 338	146 228
Short-term liabilities			
Trade and other liabilities	314 253	695 251	647 367
Loans, borrowings and other liabilities due to financing	111 860	90 464	103 829
Liabilities due to current portion of income tax	0	0	0
Liabilities due to employee benefits	1 244	1 357	1 021
Derivative financial instruments	0	0	41
Provisions for other liabilities and charges	0	0	0
	427 357	787 072	752 258
Total liabilities	552 896	926 410	898 486
Total equity and liabilities	896 105	1 297 742	1 262 461

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Statement of changes in equity

	Equity attributable to the Company's shareholders					Total equity
	Share capital	Share premium	Retained earnings	Other reserve capitals	Capital from measurement of cash flow hedges	
As of 1 January 2016	1 661	58 112	275 731	34 164	1 664	371 332
Total comprehensive income	0	0	-9 304		-1 852	-11 156
Declared dividend	0	0	-16 957			-16 957
Other	35	4 119	0	-4 164	0	-10
As of 30 September 2016	1 696	62 231	249 470	30 000	-188	343 209
As of 1 January 2015	1 661	58 112	268 253	30 000	-3 557	354 469
Total comprehensive income			24 088		5 221	29 309
Dividends paid			-16 610			-16 610
Other				4 164		4 164
As of 31 December 2015	1 661	58 112	275 731	34 164	1 664	371 332
As of 1 January 2015	1 661	58 112	268 253	30 000	-3 557	354 469
Total comprehensive income			23 390		2 726	26 116
Dividends paid			-16 610			-16 610
Other						0
As of 30 September 2015	1 661	58 112	275 033	30 000	-831	363 975

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Cash flow statement

	First 3 quarters, 01.01.2016 to 30.09.2016	First 3 quarters, 01.01.2015 to 30.09.2015
Cash flow from operating activities		
Net profit/loss for the financial period	-9 304	23 390
Adjustments:	30 987	4 331
Income tax	-1 897	4 540
Income tax paid	4 317	-12 537
Depreciation/amortisation of tangible assets and intangible assets	7 482	8 343
Investment profit/loss	-1 515	-969
Interest revenue	-869	-295
Interest expenses	5 281	5 291
Other	-2 538	3 476
<i>Movements in working capital:</i>		
Inventory	130 236	36 195
Trade and other receivables	288 445	52 970
Trade and other liabilities	-397 955	-92 683
Net operating cash flow	21 683	27 721
Cash flow from investing activities		
Acquisition of PP&E and intangible assets	-669	-13 441
Acquisition of investment real property	0	0
Inflows from sale of PP&E and intangible assets	88	139
Other inflows/investment expenditures	328	-10 626
Net cash flow from investing activities	-253	-23 928
Cash flow from financing activities		
Redemption of debt securities	0	0
Issue of debt securities	0	0
Loans and borrowings received	15 413	0
Repayment of loans and borrowings	0	-62 469
Dividends paid	0	-16 610
Interest paid	-6 877	-4 651
Payment of liabilities under finance lease agreements	-2 881	-2 410
Other inflows/financial expenses	0	0
Net cash flow from financing activities	5 655	-86 140
Net increase/decrease in cash	27 085	-82 347
Opening balance of cash	25 064	103 003
Foreign exchange gains/losses on measurement of cash	0	0
Closing balance of cash	52 149	20 656

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Notes

1. Material estimates

Deferred income tax assets and provisions recognised in the Statement of Financial Position are presented after a set-off. The set-off was performed due to the homogeneity of these items and their settlement method.

Presented below is the deferred income tax subject to offsetting:

	30.09.2016	31.12.2015
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	7 115	11 965
	7 115	11 965
Deferred income tax provisions:		
– deferred income tax provisions falling due within 12 months	10 032	18 292
	10 032	18 292
Deferred income tax assets	0	0
Deferred income tax provisions	-2 917	-6 327
Deferred income tax assets/provisions (per balance)	-2 917	-6 327

Presented below are movements in the deferred income tax (with the set-off of assets and provisions taken into account):

	30.09.2016	31.12.2015
Opening balance	-6 327	-6 871
Increase/decrease in financial result	2 976	1 769
Increase/decrease in equity	434	-1 225
Closing balance	-2 917	-6 327

2. Write-downs on assets

2.1 Write-downs on long-term financial assets

	30.09.2016	31.12.2015	30.09.2015
Opening write-down on long-term financial assets	-2 392	-2 392	-2 392
Created	0	0	0
Used	0	0	0
Released	0	0	0
Closing write-down on long-term financial assets	-2 392	-2 392	-2 392

2.2 Write-downs on short-term financial assets

	30.09.2016	31.12.2015	30.09.2015
Opening write-down on short-term financial assets	-104	-104	-104
Created	0	0	0
Used	0	0	0
Released	0	0	0
Closing write-down on short-term financial assets	-104	-104	-104

2.3 Write-downs on inventory

	30.09.2016	31.12.2015	30.09.2015
Opening write-down on inventory	-2 781	-1 138	-1 138
Created (Costs of products, goods and materials sold)	-598	-1 643	-444
Used	0	0	0
Released (Costs of products, goods and materials sold)	0	0	0
Closing write-down on inventory	-3 379	-2 781	-1 582

The write-down was established as a result of the revaluation of merchandise based on inventory aging. As of 30 September 2016 and 31 December 2015, the Company did not hold any inventory measured at net sale price.

2.4 Write-downs on trade and other receivables

	30.09.2016	31.12.2015	30.09.2015
Opening write-down on receivables	-12 193	-11 692	-11 692
Created	-4 527	-848	-509
Used	4 052	284	270
Released	9	63	59
Closing write-down on receivables	-12 659	-12 193	-11 872

3. Contingent assets and liabilities

As of 30 September 2016, the Company held contingent receivables on account of the repayment of receivables in the amount of PLN 9,411 thousand. Security liabilities under agreements signed as of the reporting date which are not reflected in the Company's interim condensed financial statements amounted to PLN 104,630 thousand as of 30 September 2016 and PLN 74,943 thousand as of 31 December 2015.

	30.09.2016	31.12.2015	30.09.2015
1. Contingent receivables	9 411	9 400	9 765
1.1. From related parties under:	0	0	0
- guarantees and sureties received	0	0	0
1.2. From other parties under:	9 411	9 400	9 765
- guarantees and sureties received	9 411	9 400	9 765
2. Contingent liabilities	104 630	74 943	86 247
1.1. Due to related parties under:	76 236	47 281	42 705

- guarantees and sureties granted	76 236	47 281	42 705
1.2. Due to other parties under:	28 394	27 662	43 542
- guarantees and sureties granted	18 029	8 216	8 063
- letters of credit	10 365	19 446	35 479
3. Other (under)	0	0	0
Total off-balance sheet items	114 041	84 343	96 012

Guarantees and sureties granted

As of 30 September 2016, the guarantees and sureties granted amounted to PLN 104,630 thousand, including:

Bank guarantees in the total amount of PLN 509 thousand (USD 132 thousand)
 Bank guarantees in the total amount of PLN 13,104 thousand (EUR 3,039 thousand)
 Bank guarantees in the total amount of PLN 3,000 thousand
 Performance bonds in the total amount of PLN 1,195 thousand
 Guarantee of repayment of custom and tax liabilities in the total amount of PLN 220 thousand
 Letters of credit due to supplies of goods in the total amount of PLN 10,365 thousand
 Corporate guarantees in the amount of PLN 58,686 thousand (EUR 13,610 thousand)
 Surety agreements in the amount of PLN 17,550 thousand.

These interim condensed consolidated financial statements were approved by the Management Board of ACTION S.A. in restructuring on 29 November 2016.

Piotr Bieliński
 President of the Management Board

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 Vice-President of the Management Board

Edward Wojtysiak
 Vice-President of the Management Board

Warsaw, 29 November 2016