CONSOLIDATED

QUARTERLY REPORT

FOR Q1 2017

ACTION S.A. IN

RESTRUCTURING

30 May 2017

Table of Contents

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

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

These Interim Condensed Consolidated Financial Statements and the comparative data have been drawn up to present 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 as of the balance-sheet day, and with respect to 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. Capital Group in Restructuring for the period ended on 31 March 2017 include: the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

Pursuant to the requirements of the Ordinance of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, and the Ordinance of the 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 recognizing 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 recognizing 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 hereby represents that:

- to the best of their knowledge, the annual consolidated financial statements and comparative data were prepared in compliance with the applicable accounting principles and they present a true, accurate and fair view of the Group's economic and financial standing and its financial result and the Management Report on Operations of the Group presents a true overview of development and achievements of the Group and its situation, including a description of basic risks and threats.

In the period covered by the consolidated financial statements, the Group companies, excluding ACTION S.A. in restructuring, ACTION EUROPE GmbH, and LAPADO Handelsgesellschaft GmbH, kept their accounting books in compliance with the accounting policy (principles) laid down by the Accounting Act of 29 September 1994 and regulations issued thereunder. The consolidated financial statements contain adjustments not included in the accounting books of the Group entities implemented to ensure compliance of the financial statements of those entities with the IFRS. As of 1 January 2010, ACTION S.A. in restructuring has been keeping its accounting books in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the EU, issued and applicable as at 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 balance sheet laws. ACTION (GUANGZHOU) TRADING CO., LTD keeps its accounting books in accordance with the requirements of Chinese balance sheet laws.

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

Warsaw, 30 May 2017

II. Interim Condensed Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the period from 01 January 2017 to 31 March 2017

Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	Q1 period 01/01/2017–31/03/2017	Q1 period 01/01/2016–31.03.2016	Q1 period 01/01/2017–31/03/2017	Q1 period 01/01/2016–31.03.2016
I. Net revenues from sales of products, goods and materials	434,229	1,089,529	101,240	250,127
II. Gross profit/loss on sale	24,633	67,346	5,743	15,461
III. Profit/loss from operating activities	-17,204	2,239	-4,011	514
IV. Net profit/loss attributable to the Company's shareholders	-17,601	382	-4,104	88
V. Net operating cash flows	77,468	-8,579	18,062	-1,970
VI. Net cash flow from investing activities	-1,015	-1,800	-237	-413
VII. Net cash flow from financing activities	-54,852	38,400	-12,789	8,816
VIII. Net increases (decreases) in cash	21,601	28,021	5,036	6,433
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-1.04	0.02	-0.24	0.01
	As of 31/03/2017	**As of 31/12/2016**	**As of 31/03/2017**	**As of 31/12/2016**
X. Total assets	742,135	835,534	175,870	188,864
XI. Liabilities	583,044	658,807	138,169	148,917
XII. Long-term liabilities	6,676	19,571	1,582	4,424
XIII. Current liabilities	576,368	639,236	136,587	144,493
XIV. Equity attributable to the Company's shareholders	165,206	182,644	39,150	41,285
XV. Initial capital	1,696	1,696	402	383
XVI. Number of shares **) (in units)	16,957,000	16,957,000	16,957,000	16,957,000
XVII. Book value per share *** (in PLN/EUR)	9.74	10.77	2.31	2.43

PLN/EUR exchange rates

Period	Average exchange rate during the period	Minimum exchange rate during the period	Maximum exchange rate during the period	Exchange rate as of the last day of the period
01/01/2017–31/03/2017	4.2891	4.2198	4.3308	4.2198
01/01/2016–31/12/2016	4.3757	4.2684	4.4405	4.4240
01/01/2016–31/03/2016	4.3559	4.2684	4.4405	4.2684

*) Profit per ordinary share was calculated as the quotient of net profit and the number of shares.
**) The number of shares takes into account the change in the nominal value of A series shares from PLN 1 to PLN 0.10 at the same time dividing 1 share of PLN 1 into 10 shares of a nominal value of PLN 0.10. The change was adopted on 11 April 2006 by way of resolution of the Extraordinary General Meeting of Shareholders.

***) The book value per share was calculated as the quotient of equity attributable to the Company's shareholders and the number of shares.

The selected financial data presented in the Consolidated Financial Statements was converted into EUR in the following manner:

- items regarding 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 as of the last day of each month; for Q1 2017 this exchange rate stood at: EUR 1 = PLN 4.2891, for Q1 2016: – EUR 1 = PLN 4.3559;

- 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 31 March 2017, this exchange rate stood at: EUR 1 = PLN 4.2198; as of 31 December 2016: EUR 1 = PLN 4.4240, and as of 31 March 2016:
EUR 1 = PLN 4.2684.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Consolidated statement of comprehensive income

All revenues and costs relate to continuing operations.

	Note	period 01/01/2017–31/03/2017	period 01/01/2016–31.03.2016
Revenues from sales	(5.2)	434,229	1,089,529
Costs of products, goods and materials sold	(5.3)	-409,596	-1,022,183
Gross profit/loss on sale		**24,633**	**67,346**
Selling and marketing expenses	(5.3,5.4)	-33,177	-55,419
General and administrative expenses	(5.3,5.4)	-8,021	-8,372
Other operating revenue and profits	(5.5)	1,153	988
Other expenses and losses	(5.6)	-1,792	-2,304
Profit/loss from operating activities		**-17,204**	**2,239**
Financial expenses	(5.7)	-693	-2,211
Profit/loss before tax		**-17,897**	**28**
Income tax	(5.8)	-84	-670
Share in net profit/loss of an associate		-88	-148
Net profit/loss for the financial period		**-18,069**	**-790**
Other items of comprehensive income			
Net change due to cash flow hedges		167	5,094
Income tax		-32	-968
Other items – foreign exchange differences on translation of a foreign operation		28	60
Other items of net comprehensive income that may be reclassified to profit or loss		**163**	**4,186**
Comprehensive income for the period		**-17,906**	**3,396**
Net profit/loss attributable to:			
Company's shareholders		**-17,601**	**382**
minority interests		-468	-1,172
Comprehensive income attributable to:			
Company's shareholders		**-17,438**	**4,568**
non-controlling interests		**-468**	**-1,172**
Net profit/loss attributable to the Company's shareholders per ordinary share (in PLN per share)			
Basic		-1.04	0.02
Diluted		-1.04	0.02
Number of shares		**16,957,000**	**16,957,000**
Diluted number of shares		**16,957,000**	**16,957,000**

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

Warsaw, 30 May 2017

The number of shares comprises 11,910,000 A series shares, 4,500,000 B series shares and 547,000 C series shares.
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 A series shares from PLN 1 to PLN 0.10. The nominal value of A series shares was changed by means of a resolution of the Extraordinary General Meeting of Shareholders dated 11 April 2006. Moreover, the weighted average number of ordinary shares was increased by the issue of 347,000 C series shares entered in the National Court Register on 10 February 2016.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Consolidated statement of financial position

	Note	31/03/2017	31/12/2016	31/03/2016
ASSETS				
Non-current assets				
Property, plant and equipment	(5.9)	171,229	173,065	178,510
Goodwill		2,336	2,336	17,500
Other intangible assets		10,010	10,989	12,284
Investment real property	(5.10)	3,545	3,545	3,545
Financial assets		324	324	324
Share in associates measured with the equity method		0	0	2,285
Deferred income tax assets	(5.8)	1,499	1,580	18
Trade and other receivables		515	950	692
		189,458	**192,789**	**215,158**
Current assets				
Inventories	(5.11)	169,011	178,652	576,093
Trade and other receivables		203,550	304,463	439,030
Receivables from current income tax		5,742	6,067	273
Derivative financial instruments		0	306	0
Other financial assets		216	700	1,489
Cash and cash equivalents		174,158	152,557	66,084
		552,677	**642,745**	**1,082,969**
Total assets		**742,135**	**835,534**	**1,298,127**
EQUITY				
Equity attributable to the Company's shareholders				
Share capital		1,696	1,696	1,696
Share premium		62,231	62,231	62,231
Other reserves		30,000	30,000	30,000
Retained earnings		71,421	89,022	266,113
FX gains/losses on translation of a foreign operation		-100	-128	-123
Other equity items		-42	-177	5,790
		165,206	**182,644**	**365,707**
Non-controlling interests		**-6,115**	**-5,917**	**-2,669**
Total equity		**159,091**	**176,727**	**363,038**
LIABILITIES				
Long-term liabilities				
Credits, loans and other liabilities due to financing	(5.14)	6,612	19,540	130,012
Trade and other liabilities		0	0	0
Deferred income tax provisions	(5.8)	64	31	6,344
		6,676	**19,571**	**136,356**
Current liabilities				
Trade and other liabilities		363,587	383,958	637,689
Credits, loans and other liabilities due to financing	(5.14)	211,400	253,715	159,175
Current income tax liabilities		2	91	30
Liabilities due to employee benefits		1,379	1,472	1,748
Derivative financial instruments		0	0	91
Provisions for other liabilities and charges	(5.13)	0	0	0
		576,368	**639,236**	**798,733**
Total liabilities		**583,044**	**658,807**	**935,089**
Total liabilities and equity		**742,135**	**835,534**	**1,298,127**

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

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Warsaw, 30 May 2017

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 reserves**	**Capital from cash flow hedge valuation**	**Foreign exchange differences on translation of a foreign operation**		
As of 1 January 2017	**1,696**	**62,231**	**89,022**	**30,000**	**-177**	**-128**	**-5,917**	**176,727**
Total comprehensive income			-17,601		135	28	-468	**-17,906**
Dividend paid								**0**
Other							270	**270**
As of 31 March 2017	**1,696**	**62,231**	**71,421**	**30,000**	**-42**	**-100**	**-6,115**	**159,091**
As of 1 January 2016	**1,661**	**58,112**	**265,731**	**34,164**	**1,664**	**-183**	**-1,513**	**359,636**
Total comprehensive income			-159,753		-1,841	55	-4,290	**-165,829**
Dividend paid			-16,957					**-16,957**
Other	35	4,119	1	-4,164			-114	**-123**
As of 31 December 2016	**1,696**	**62,231**	**89,022**	**30,000**	**-177**	**-128**	**-5,917**	**176,727**
As of 1 January 2016	**1,661**	**58,112**	**265,731**	**34,164**	**1,664**	**-183**	**-1,513**	**359,636**
Total comprehensive income			382		4,126	60	-1,172	**3,396**
Dividend paid								**0**
Other	35	4,119		-4,164			16	**6**
As of 31 March 2016	**1,696**	**62,231**	**266,113**	**30,000**	**5,790**	**-123**	**-2,669**	**363,038**

Piotr Bieliński	Sławomir Harazin	Edward Wojtysiak
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Warsaw, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Consolidated cash flow statement

	Note	period 01/01/2017–31/03/2017	period 01/01/2016–31.03.2016
Cash flow from operating activities			
Net profit/loss attributable to the Company's shareholders		**-17,601**	**382**
Adjustments for:		**95,069**	**-8,961**
Income tax		84	670
Income tax paid		-60	-3,470
Depreciation of fixed assets and amortisation of intangible assets		2,691	3,645
Gain (loss) on investing activities		1,223	50
Interest revenues		-389	-6
Interest expenses		693	2,066
Share in net profit/loss of an associate		88	148
Other		121	3,837
Movements in working capital:			
Inventories		9,641	-115,858
Trade receivables and other receivables		101,348	195,899
Trade and other liabilities		-20,371	-95,942
Net operating cash flow		**77,468**	**-8,579**
Cash flow from investing activities			
Acquisition of PP&E and intangible assets		-1,063	-1,181
Inflows from sale of PP&E and intangible assets		48	202
Other investment inflows/outflows		0	-821
Net cash flow from investing activities		**-1,015**	**-1,800**
Cash flow from financing activities			
Inflows from issue of interests/shares		0	0
Acquisition of treasury shares		0	0
Inflows from issue of bonds		0	0
Credits and loans received		0	42,474
Repayment of credits and loans		-53,842	0
Dividends paid		0	0
Interest paid		-366	-3,002
Payments under finance lease agreements		-644	-1,072
Other financial inflows/outflows		0	0
Net cash flow from financing activities		**-54,852**	**38,400**
Net increase/decrease in cash		**21,601**	**28,021**
Opening balance of cash		152,557	38,063
Foreign exchange profit/loss on valuation of cash		0	0
Closing balance of cash		**174,158**	**66,084**

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

Warsaw, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Notes to the Interim Condensed Consolidated Financial Statements

1. General Information

Company name:	ACTION Spółka Akcyjna in restructuring
Legal status:	Spółka akcyjna (joint stock company)
Incorporated in:	Poland
Registered office:	Warsaw
Address:	ul. Jana Kazimierza 46/54, 01-248 Warsaw
National Court Register (KRS) No.:	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
REGON (Statistical ID No.):	011909816
NIP (Tax ID No.):	527-11-07-221

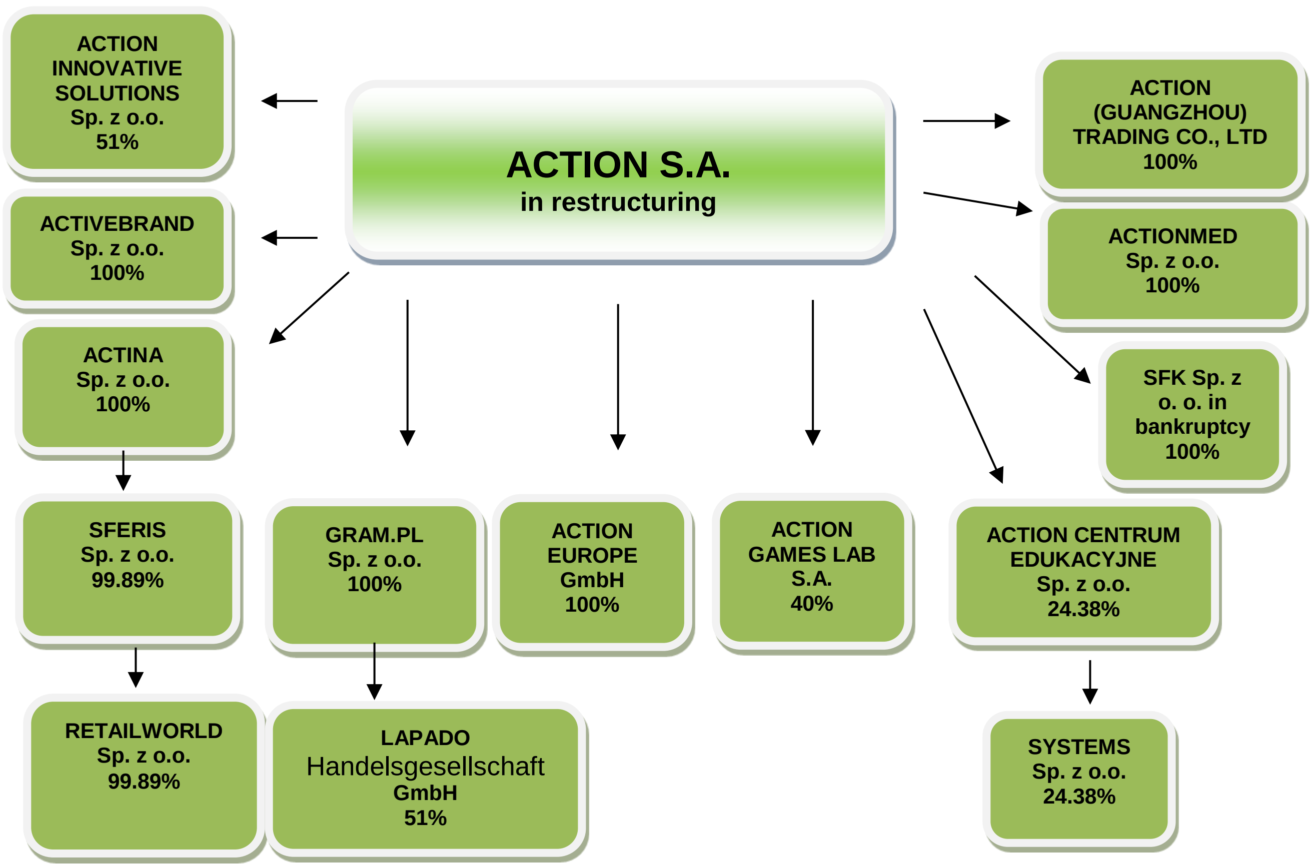
1.1.Scope of business

The business of ACTION S.A. in restructuring (Issuer/Company) and its subsidiaries consists in the sale of IT equipment, consumer electronics and household appliances through wholesalers, its own outlets and third party shops. The Group conducts its sale operations primarily on the domestic market. The Company's core business is the wholesale trade in computer accessories (PKD 2007 4690Z).
ACTION S.A. in restructuring is the parent company, with its registered office in Warsaw, ul. Jana Kazimierza 46/54.
On 2 August 2004, ACTION Spółka Akcyjna in restructuring was entered in the Register of Entrepreneurs of the National Court Register under KRS number 0000214038, based on a decision of the District Court in Warsaw, 19th Commercial Division of the National Court Register.
Before that, the Issuer's legal predecessor, ACTION spółka z ograniczoną odpowiedzialnością in restructuring, was entered in the Register of Entrepreneurs under KRS number 0000066230, based on a decision of the District Court in Warsaw, Commercial Division of the National Court Register, dated 28 November 2001.

On 1 August 2016, the District Court for the capital city of Warsaw, 10th Commercial Division for Liquidation and Restructuring, decided to initiate the remedial proceedings for ACTION Spółka Akcyjna in restructuring 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 Capital Group of ACTION S.A. in restructuring



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. in bankruptcy, with its registered office in Kraków – subsidiary (100%)
ACTINA Sp. z o.o., with its registered office in Warsaw – subsidiary (100%)
SFERIS Sp. z o.o., with its registered office in Warsaw – indirect subsidiary (99.89%) 1)
GRAM.PL Sp. z o.o., with its registered office in Warsaw – subsidiary (100%) 2)
ACTION 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 affiliate (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. based in Warsaw was consolidated as of 28 May 2009 and on 18 December 2009 the interest was increased to 80%. On 24 May 2010, the interest was increased to 100% as a result of an agreement on the purchase of interests.
3) ACTION GAMES LAB S.A. with its registered office in Zamienie was established on 12 December 2011 and as of that date it was consolidated.
4) ACTION CENTRUM EDUKACYJNE Sp. z o.o. with its registered office in Warsaw was measured using the equity method 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 means of a purchase of a non-controlling interest (33.33%), the interest of ACTION S.A. were 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:

No changes took place in the reporting period.

Third-party interests in subsidiaries:

1. SFERIS Sp. z o.o. – 0.11%, of which: 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 shares carrying rights to 75% of votes at the shareholders' meeting are held by Piotr Bieliński
4. ACTION INNOVATIVE SOLUTIONS Sp. z o.o. – 49% of shares are held by Piotr Olejak

The activity 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. Business activities of GRAM.PL Sp. z o.o. (computer games) are focused on online retail sales. This company is also a wholesaler of computer equipment. The business of SFK Sp. z o. o. in bankruptcy involves wholesale trade and advertising. ACTION GAMES LAB S.A., apart from the provision of advertising services, in 2014 began the production of computer games. The basic activity scope of ACTION CENTRUM EDUKACYJNE Sp. z o.o. and SYSTEMS Sp. z o.o. includes training and IT services, as well as renting computer equipment. ACTIVEBRAND Sp. z o.o. is starting its business in the services sector. ACTION EUROPE GmbH conducts distribution activities related to wholesale of IT products, consumer electronics and household appliances. RETAILWORLD Sp. z o. o. focuses on the wholesale of IT equipment and IT accessories for foreign customers. In January 2017, LAPADO Handelsgesellschaft GmbH filed a bankruptcy petition with the court. On 5 April 2017, the court registered the liquidation of the company in the Commercial Register. The activity 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 started commercial activities in the food industry in China.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Subsidiaries consolidated as of 31/03/2017

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 / measurement using the equity method or an indication that the entity is not subject to consolidation / measurement using the equity method	Date of acquisition of control / joint control / material influence	Percentage of share capital held	Share in total number of votes at the general meeting
SFK Sp. z o. o. in bankruptcy	Kraków	advertising activities	direct subsidiary	District Court for Kraków-Śródmieście, 11th Commercial Division 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, 12th Commercial Division 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, 13th Commercial Division 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, 13th Commercial Division of the National Court Register	full	05/01/2007	99.89%	99.89%
ACTION GAMES LAB S.A.	Warsaw	wholesale trade in computer hardware, advertising	direct subsidiary	District Court for the capital city of Warsaw, 14th Commercial Division of the	full	14/12/2011	40%	25%

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

				National Court Register				
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	Warsaw	training and IT services and rental of IT hardware	associate	District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register	measurement using the equity method	12/09/2012	24.38%	24.38%
SYSTEMS Sp. z o.o.	Warsaw	training and IT services and rental of IT hardware	indirect associate	District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register	measurement using the equity method	12/09/2012	24.38%	24.38%
ACTIVEBRAND Sp. z o.o.	Zamienie	business consultancy activities	subsidiary	District Court for the capital city of Warsaw, 14th Commercial Division of the National Court Register	full	03/09/2012	100%	100%
ACTION EUROPE GmbH	Braunschweig (Germany)	wholesale trade in computer hardware	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, 14th Commercial Division of the National Court Register	full	18/11/2013	99.89%	99.89%
LAPADO Handelsgesellschaft GmbH	Potsdam (Germany)	wholesale trade in computer hardware	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, 14th Commercial Division of the National Court Register	full	19/12/2014	100%	100%
ACTION INNOVATIVE SOLUTIONS Sp. z o.o.	Bielsko-Biała	wholesale trade in telecommunications equipment	direct subsidiary	District Court for the capital city of Warsaw, 14th Commercial Division of the	full	27/10/2015	51%	51%

				National Court Register				
ACTION (GUANGZHOU) TRADING CO., LTD	Guangzhou (China)	wholesale trade in food products	direct subsidiary	Market Administration and Supervision Office in Guangzhou (China)	full	29/06/2016	100%	100%

2. Principles applied in the preparation of the statements

The Interim Condensed Consolidated Financial Statements of the ACTION S.A. Capital Group in Restructuring for Q1 2017 were prepared in line with IAS 34 *Interim Financial Reporting*.

The Interim Condensed Consolidated Financial Statements prepared for the period from 01 January 2017 to 31 March 2017 contain comparative data for the period from 01 January 2016 to 31 March 2016.

The key accounting principles applied in preparing these Interim Consolidated Financial Statements are presented below. These principles were applied continuously during all presented periods, unless indicated otherwise.

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 on a going concern basis for the foreseeable future.
As of the date of approving these Interim Condensed Consolidated Financial Statements, no circumstances indicated any threats to the Group's going concern status.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and they should be read jointly with the consolidated financial statements of the Group prepared in accordance with the IFRS for the financial year ended 31 December 2016, published on 25 April 2017.

2.2. Continuation of operations

The Interim Condensed Consolidated Financial Statements of the Action S.A. Capital Group in Restructuring (the Group) were prepared on the assumption that the Group would continue as a going concern in the foreseeable future, for not less than 12 months as of the balance-sheet date, taking into account the assumptions below.
In compliance with the best market practices, the Management Board of the Parent Company (the Company) indicates factors that may represent a potential hazard to the Group's going concern status in the future and presents measures undertaken by the Parent Company and entities of the Capital Group with a view to eliminating the negative impact of such hazards on the Parent Company and entities of the Capital Group.

In 2016, in connection with the decisions of the Tax Inspection Authority detailed in Note 3.3. Taxes, the Management Board of ACTION S.A. (Parent Company) filed with the District Court for the capital city of Warsaw, 10th Commercial Division for Liquidation and Restructuring, a request to open restructuring proceedings based on the provisions of the Restructuring Law Act of 15 May 2015 (Journal of Laws of 2015, item 978 – hereinafter the "Restructuring Law"). On 1 August 2016, the Court issued a decision on opening remedial proceedings with respect to ACTION S.A. (currently, ACTION S.A. in restructuring).

The Management Board's assumptions that the Group would continue as a going concern in the foreseeable future, for not less than 12 months as of the balance-sheet date, take into account the status of the Company (the Parent Company) undergoing restructuring proceedings, and are based on a comparative analysis of the revenues and operating costs of the Company recorded until this point as well as anticipated revenues, costs and margins. Key components of the former include current revenues amounting to PLN 263,000 thousand per month on average in 2016 and PLN 145,000 thousand in Q1 2017, and the corresponding costs of purchased goods and external services necessary for the operation of the enterprise of ACTION S.A. in restructuring, amounting to PLN 249,000 thousand per month on average in 2016 and PLN 137,000 thousand in Q1 2017. The amount thereof depends mainly on the value of the order portfolio. Therefore, taking into account the fact that since the remedial proceedings were opened, ACTION S.A. in restructuring has been prohibited from settling payments that arose prior to the opening date of the restructuring

proceedings; taking into consideration further regular receivables inflow, the possibility that the Company might lose financial liquidity should be ruled out.
Moreover, as at 31 March 2017, the Group has financial resources of PLN 174,158 thousand and current receivables of PLN 203,550 thousand, payable largely between 15 and 90 days, and fast moving trading goods worth PLN 169,011 thousand, which provides financial resources to cover all current costs and expenses related to the proceedings as well as to settle liabilities arising after the opening of the remedial proceedings on an ongoing basis for a period considerably longer than the next 12 months.

In the case of overdue receivables from counterparties, the Company will have an additional source of financial resources in the form of insurance coverage of receivables at the level of 90% of the value thereof, provided under an insurance contract entered into with Compagnie Francaise D'assurance Pour Le Commerce Exterieur (COFACE) Spółka Akcyjna. Some claims of the Company are secured with mortgage or bank guarantees.
Furthermore, the Company will seek to maintain current sources of financing and acquire new ones. On the one hand, these will be funds derived from credits taken out; on the other hand, the Company also plans to apply for extra funds to banking institutions, investment funds or a new strategic investor, taking advantage of the mechanism of preference for claims of entities financing restructuring proceedings introduced to the Restructuring Law. In this scope, the extra protection of new financing introduced by the Restructuring Law Act of 15 May 2015 should significantly strengthen the negotiating position of ACTION S.A. in restructuring, which, in the Company's opinion, is likely to translate into obtaining new financing, be it in the form of a guarantee line or a contractual or working capital credit limit.

The Company indicates that on 20 April 2017 a meeting of the Board of Creditors of ACTION S.A. in restructuring was held. During this meeting, the Board of Creditors approved the Company's request to give a consent to the conclusion of an annex with Bank Polska Kasa Opieki S.A., under which the bank will grant new financing in the form of a revolving overdraft facility. Pursuant to the obtained consent, the Bank granted the multi-currency revolving overdraft facility to the company until 29 December 2017. The maximum facility amount is EUR 9,135,456.79. The facility in question is used to finance the current operations of the Company.

We point out that even if other assumptions regarding financing are not performed, the Company – only in terms of currently performed contracts and taking into account highly conservative assumptions regarding the possibility of entering into new contracts – will have no problems covering the costs of the restructuring proceedings or settling claims arising after the opening date of the remedial proceedings. Since 1 August 2016, the Company has been protected against the aggressive and economically unviable, particular enforcement of singular creditors or their protective measures that might lead to cessation of the economic activities of the enterprise, causing completely unjustified insolvency and bankruptcy thereof. This claim is clearly illustrated by the cash flow projection drawn up on the basis of these assumptions for the next 5 years, which is included in the Restructuring Plan. Notably, it has been prepared in a version which does not take into account the implications of the restructuring proceedings favourable from the Company's perspective, including the "official" grace period for the repayment of liabilities until, as a matter of fact, the vote on the composition or improved margins due to the possibility of making prepaid purchases, etc. If such circumstances occur, this may lead to an even more favourable balance between revenue surplus and non-composition disbursements.

In accordance with the information disclosed in the Financial Statements of the ACTION S.A. Capital Group in restructuring as at the end of Q1 2017, the Group entities utilised short-term credits in the amount of PLN 105,665 thousand, of which PLN 71,627 thousand (including PLN 20,189 thousand of investment credits) was utilised by ACTION S.A. in restructuring.
At present, the Company secures financing of its activities from own funds and as part of the overdraft facility granted by Bank Polska Kasa Opieki S.A., kept after the opening of the remedial proceedings, in the amount of: PLN 50,000 thousand, which is paid in fixed monthly instalments until 31 December 2017. The investment credit granted by Bank Polska Kasa Opieki S.A. is also paid in fixed monthly instalments. Amounts and dates agreed with the Bank are complied with.
As of the date of these Financial Statements, the Company also utilised a facility granted by Societe Generale Bank Branch in Poland, of which PLN 11,800 thousand was used as at 31 March 2017. The facility was paid up and expired on 29 May 2017.
Action Europe GmbH utilises the following overdraft facilities:

1. Granted by Deutsche Bank in the amount of EUR 3,428,500, of which:
    a. EUR 304,700 maturing on 15 August 2017;

   b. EUR 152,400 maturing on 15 January 2018;
   c. EUR 2,971,400 without maturity date.
2. Granted by PKO BP with its registered office in Frankfurt (Germany) in the amount of EUR 1,071,429, of which:
   a. EUR 95,238 maturing on 15 August 2017;
   b. EUR 47,619 maturing on 15 January 2018;
   c. EUR 928,572 maturing on 15 August 2018;
3. Granted by Sachsen Bank in the amount of EUR 985,017.32, payable in monthly instalments, with the final instalment due on 15 July 2018.

As at the date of these Financial Statements, all the above facilities are repaid in a timely manner.

The Issuer recognised a provision for the credit granted to LAPADO GmbH in liquidation on account of a surety granted – in the full amount of the credit.

The Company's liabilities on account of an issue of bonds with a redemption date on 4 July 2017 are subject to the composition by virtue of law, and they cannot be settled prior to the completion of the restructuring proceedings. The Company, under the options stipulated in Article 162(2) of the Restructuring Law, can offer more attractive terms to bondholders if the rules of granting financing to the Company are agreed, for instance through rolling over bonds.

The Company has also taken measures aimed at continuing the cooperation with Bank Polska Kasa Opieki S.A. in the scope of financing the Company's activities. The Company obtained a positive opinion of the Board of Creditors on the establishment of collateral in the form of cash deposits for the aforementioned products, up to the maximum limit of PLN 21,000 thousand. At present, negotiations with the bank on the shape of the agreement are being finalised. Therefore, the Company expects that the guarantee agreement and letters of credit will enter into force in the coming period.

Other circumstances justifying the position of the Management Board on the Company's and the Group's going concern include assumptions of the Restructuring Plan as well the progress and dates of implementation of key stages of the restructuring proceedings.

The Company indicates that by its decision of 4 January 2017, the Board of Creditors was established for the remedial proceedings of ACTION S.A. in restructuring. From the beginning of the accounting period to the date of these Financial Statements, five meeting of the Board of Creditors took place, and the Board adopted 12 resolutions in total. The most important resolutions adopted by the Board of Creditiors concerned the choice of Mr Gaweł Jarosiński as the Chairman of the Board, adoption of the Standing Order for the body, extension of the payment of the overdraft facility in Bank Pekao S.A. by 31 December 2017, establishment of transmission easement for PFE Dystrybucja S.A. to modernise power connection, provision of financial collateral for bank guarantees, letters of credit and FX forward transactions granted by order of the Company, provision of financing in the form of a revolving overdraft facility in Bank Pekao S.A. until 29 December 2017, and issue of opinion to the Restructuring Plan filed by the Company and the Administrator with the court.

At its meeting on 28 April 2017, the Board of Creditors adopted a resolution on the opinion regarding the Restructuring Plan submitted by the Company. Pursuant to Article 315 of the Restructuring Law, the Judge Commissioner approves the Restructuring Plan. The decision on approving the Restructuring Plan is preceded by an analysis of the debtor's economic standing and obtaining of the opinion of the Board of Creditors for the Restructuring Plan. All actions taken by the Company during the restructuring period and proposed in the Plan as stages of restructuring were approved by the Board of Creditors. In particular, the Board approved all actions meant to be taken prior to the voting of the creditors' meeting. In said opinion, the Board indicated, among others, that it approved the direction of the Company's actions as regards: resigning from contracts and projects with lower margins (from 2.2% to 2.6% of margin) or significantly limiting their number; focusing on further development of distribution channels with the highest profitability, such as E-Commerce and the Dealer Channel and taking significant actions to increase margin in the coming periods; selective choice of suppliers to increase margin; reorganising business departments by centralising the Purchase and Sales Departments of the Debtor and its subsidiary – SFERIS Sp. z o.o.; withdrawing from leasing a warehouse in Nadarzyn; analysing warehouse inventory and related intensification of the sale of goods in the Debtor's warehouse to maintain maximum turnover of ca. 21 days, while keeping levels necessary for conducting business by the Debtor and for satisfying creditors for which registered pledges were established; reducing costs of business (including personnel costs); consolidating the entities of the

ACTION Capital Group (defined in the Plan). The Company fully supports the position of the Board of Creditors as regards the above issues.

With regard to part of the Restructuring Plan, the Board has not however issued a positive opinion and has obliged the Company to take specific measures. The Board of Creditors did not approve of: the conditions and rules for restructuring financial commitments presented by the Company, possible sale of goods in the Company's warehouse only to satisfy the Debtor's current financial needs; the projections and financial data and estimated valuation of the Debtor's assets included in the Plan. The Board of Creditors indicated that in its opinion the financial projections should be more detailed. Therefore, the Board presented guidelines that in its opinion the Company should follow when preparing financial projections.

As has to be noted, the Board of Creditors did not issue a negative opinion as regards the Restructuring Plan in the scope in question, and the comments presented by the Board of Creditors do not refer to the measures undertaken or meant to be undertaken by the Company and the Administrator prior to the voting of the creditors' meeting. The Board's comments pertain to specific measures taken in the course of the remedial proceedings that do not determine the course of the restructuring of the undertaking.

In the opinion of the Management Board, the Restructuring Plan was prepared with due diligence and its contents confirm that the proposal for restructuring obligations complies with the Company's assumed capacities. The Company also emphasises that the composition proposals presented in the Plan are more favourable than the projected conditions for satisfying creditors in the case of possible liquidation of assets under bankruptcy proceedings.

The opinion of the Board of Creditors regarding the approval of the Restructuring Plan is not however binding for the Judge Commissioner.

In the Company's opinion, following the submission of the Restructuring Plan, there arose no circumstances indicating its obsolescence, the need to introduce important adjustments or threat to its realisation. The financial result and the change in the suppliers' and banks' approach only confirm and increase the chances for the success of the restructuring proceedings. The Restructuring Plan is also based on the assumption that the Company will continue as a going concern over at least the next 12 months, without significant limitations on its business scope.

The assumption that the company will continue as a going concern is also supported by the expected dates of implementation of individual stages of the restructuring proceedings related to the current situation of the Company and already completed activities included in these proceedings. Legally required obligations concerning the preparation of remedial documentation have been or are being implemented in accordance with the applicable deadlines. In the course of the proceedings, in addition to the restructuring plan, the following documents were prepared and submitted: remedial estate inventory (in accordance with Article 296 of the Restructuring Law); list of claims and list of disputed claims (in accordance with Articles 76–87 of the Restructuring Law); periodical reports on activities and accounting reports of the Administrator (in accordance with Articles 31 and 32 of the Restructuring Law).

The accounting reports of the Administrator confirm that the Company’s liabilities arising after the opening of the remedial proceedings are settled on an on-going basis.

As of the date of these Financial Statements, to the Management Board's knowledge, three of the appeals issued have been considered; two of those have been rejected by the Judge Commissioner. The third appeal and request for the change of the list of claims related to PLN 0 as a claim dependent on a condition, arising from the assignment of claims. The appeal in question was partly taken into account by the court and partly rejected. Since the appeal did not refer to an outstanding amount, the total amount of the list of claims remained unchanged.
Given that the decisions regarding the appeal can itself be appealed against (Article 95(5) of the Restructuring Law), the decisions issued by the court in the above cases are not final. Further, on account of the possibility of appealing against the decisions, according to the Company's estimated, the list of claims will be approved in Q3 or Q4 of 2017 at the earliest. The next stage of the restructuring proceedings will be the voting on the arrangement which will take place – in accordance with Article 321(2) of the Restructuring Law – upon the approval of the list of claims. Therefore, the forecast that the voting will be held before the end of 2017 should be regarded as very optimistic. It should also be stressed that the completion of the remedial proceedings (as well as their discontinuance) requires that an appropriate decision be made in the

subject matter against which a complaint may be lodged (in accordance with Article 165(7) and 327(1) of the Restructuring Law).

The Management Board is of the opinion that the current condition of the Company and the Capital Group gives no grounds for assuming that some events could take place before the end of 2017, due to which the remedial proceedings could be discontinued and the restructuring period could, therefore, be terminated early.
Given the assumptions above regarding the timeframe of the remedial proceedings, the Management Board believes that there are no threats to the Company's ability to continue as a going concern over the next 12 months.

The Company monitors all deviations between the projection and the actual data and their potential impact on values shown in the Restructuring Plan on an on-going basis. Arrangements made so far with most suppliers enable smooth delivery performance. The Company rebuilds deliveries on the basis of trade credit on a daily basis. In the opinion of the Management Board, based on the above it may be assumed that the plan that is being drawn up will make it easy to continue as a going concern over the next 12 months.

The projection for 2017–2021 was drawn up by the Company's Management Board on the assumption that the Company would continue as a going concern during the remedial proceedings and in the course of implementation of the arrangement with creditors. The projection was drawn up in two variants, i.e. conservative and pessimistic. In both variants, it was assumed that the Company may finally lose administrative proceedings concerning previously received administrative decisions and would be forced to settle additional tax liabilities in full, together with interest. It should be also noted that the projection was prepared on a standalone basis for ACTION S.A. in restructuring.

The assumptions adopted regarding projected revenue also arise from a cautious and conservative analysis of the market and the Company's sales possibilities, taking into account the risk of destabilisation and decreasing turnover resulting from the threat of insolvency and ongoing remedial proceedings.

In relation to income from previous years i.e.

- PLN 4,626,825 thousand for 2013;
- PLN 4,852,609 thousand for 2014;
- PLN 4,685,978 thousand for 2015;
- PLN 2,585,059 thousand for 2016;

the conservative projection assumes a decline in revenue by as much as 45% compared to 2015, and therefore the projected revenue is estimated at:

- PLN 2,566,135 thousand in 2017;
- PLN 2,768,262 thousand in 2018;
- PLN 3,100,454 thousand in 2019;
- PLN 3,377,557 thousand in 2020;
- PLN 3,631,891 thousand in 2021;

assuming a margin ranging from 5.4% in 2017 to 5.7% in 2021.

Similarly, a pessimistic projection assumes the following estimated parameters of revenue and margins:

- PLN 1,783,513 thousand in 2017;
- PLN 1,923,996 thousand in 2018;
- PLN 2,154,875 thousand in 2019;
- PLN 2,347,467 thousand in 2020;
- PLN 2,524,234 thousand in 2021;

with assumed margin ranging from 5.6% to 6.1% in the above periods.

Projected assets of the Company amount to, respectively:

- from PLN 763,142 thousand in 2017 (including non-current assets of PLN 229,134 thousand) to PLN 1,006,325 thousand in 2021 for the conservative projection.
- from PLN 709,460 thousand in 2017 (including non-current assets of PLN 229,134 thousand) to PLN 762,617 thousand in 2021 for the pessimistic projection.

Projected liabilities of the Company amount to, respectively:

- from PLN 527,738 thousand in 2017 (including current liabilities of PLN 421,744 thousand) to PLN 599,449 thousand (including current liabilities of PLN 496,449 thousand) in 2021 for the conservative projection.
- from PLN 508,909 thousand in 2017 (including current liabilities of PLN 402,915 thousand) to PLN 527,996 thousand (including current liabilities of PLN 424,995 thousand) in 2021 for the conservative projection.

At present, the main objective of the Company is to implement procedures of judicial protection against insolvency and to repay, within the next 3 to 5 years, all liabilities resulting from:

1) long-term loans, credits and other financial liabilities estimated at PLN 6,427 thousand;
2) short-term loans, credits and other financial liabilities estimated at PLN 175,731 thousand;
3) trade liabilities estimated at PLN 353,485 thousand, including liabilities resulting from imposed penalties estimated at PLN 69,000 thousand, if appeals filed by the Company with courts prove ineffective and writs of execution are issued for the estimated penalties.

This objective, i.e. repayment of creditors, will be achieved through significantly reducing stock levels (sell-off of inventories) and increasing liquidity between 2017 and 2021.

The Management Board also places emphasis on increasing the margin on sales and the sales volume. Funds raised this way will be used to successively repay liabilities between 2018 and 2020.

Despite net losses (accounting losses) incurred in 2016-2017 for the conservative projection and in 2016–2018 for the pessimistic projection, the projected cash flows (cash inflows) will be sufficient to enable the repayment of current costs, financial costs and trade costs, even in the pessimistic scenario. As a result, at the end of 2021, the Company cash in hand and on bank accounts will amount to:

- PLN 280,565 thousand – in the conservative variant;
- PLN 173,655 thousand – in the pessimistic variant.

The estimated equity of the Company in the conservative projection will amount to, respectively: PLN 235,404 thousand at the end of 2017, PLN 260,117 thousand at the end of 2018, PLN 301,367 thousand at the end of 2019, PLN 350,938 thousand at the end of 2020 and PLN 406,876 thousand at the end of 2021.

Similarly, the following amounts of equity are assumed for the pessimistic projection: PLN 200,551 thousand at the end of 2017, PLN 193,917 thousand at the end of 2018, PLN 200,155 thousand at the end of 2019, PLN 214,075 thousand at the end of 2020 and PLN 234,622 thousand at the end of 2021.

The actual value of ACTION S.A. equity as at the end of Q1 2017 was PLN 184,744 thousand. The difference between the actual value and the projection is largely the effect of the establishment of provisions and impairment losses. It should be emphasized that the recognition of provisions and impairment losses has no material impact on the Company's liquidity.

The Management Board indicates that according to the assumptions presented above, threats to the going concern status include:
- a refusal to approve the restructuring plan or its modification on the basis of decisions made by the Judge Commissioner pursuant to Article 315 of the Restructuring Law;
- other circumstances preventing the Company from implementing the restructuring plan, including the risks identified therein (substantially equivalent to risks to the Company's operations in general).

In the Company's opinion, as of the date of these Financial Statements, nothing indicated the risk of the above.

The Management Board of ACTION S.A. in restructuring states that if the going concern assumptions turned out to be unfounded, the prepared CFS would have to include adjustments concerning different principles of measurement and classification of assets and liabilities which could be necessary if the parent entity were unable to continue as a going concern in the foreseeable future.
The Management Board of ACTION S.A. in restructuring is convinced that the assumptions described above, which are essential for the preparation of financial projections, will be realised; this justifies the adoption of the going concern assumption.

2.3.Compliance statement

These Interim Condensed Consolidated Financial Statements for the period from 01 January 2017 to 31 March 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union, in particular in accordance with the International Accounting Standard 34 *Interim Financial Reporting* applicable hereto. As of the approval date of these Financial Statements for publication, in terms of the accounting principles applied by the Group, there are no differences between the IFRS which are 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).

2.4.Material accounting principles

The accounting principles (policy) applied to prepare these Interim Condensed Consolidated Financial Statements for Q1 2017 are consistent with those applied to prepare the Annual Consolidated Financial Statements for 2016, except for changes described below.

The same principles have been applied to the current period and the comparative period. <u>A detailed description of the accounting principles adopted by the ACTION S.A. Capital Group in restructuring is presented in the Annual Consolidated Financial Statements for 2016, published on 25 April 2017.</u>

- **Changes resulting from amendments to IFRS**

As of 1 January 2017, no new or amended standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee. In the following two cases, changes in the standards published by IASB, to be effective as of 1 January 2017, have yet to be approved by the European Commission.

- **Changes introduced independently by the Group**

The Group did not adjust the presentation of the comparative data for Q1 2016 and/or as of 31 December 2016.

Standards not yet in effect (new standards and interpretations)

In these Financial Statements the Group decided against early application of the following published standards or their interpretations prior to the effective date thereof.

The following standards and interpretations had been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee though they were not effective as of the balance-sheet day:

- IFRS 9 *Financial Instruments*

The new standard was published on 24 July 2014 and is effective for annual periods beginning on or after 1 January 2018. The purpose of this standard is to arrange in order the classification of financial assets and introduction of a unified approach towards the assessment of impairment of all financial instruments. The standard also introduces a new hedge accounting model to standardise the principles of recognising risk management information in financial statements.

The Group will apply the new standard as of 01 January 2018.

As of the date of preparing these Financial Statements, it is not possible to reasonably assess the impact of applying the new standard. The Group has begun 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 is effective for annual periods beginning on or after 1 January 2016. The new standard is of transitional nature due to ongoing works of the IASB on regulating the manner of settlement of operations in the conditions of price regulation. The standard introduces the principles of recognising assets and liabilities arising due to price-regulated transactions in the case when an entity decides to transition to IFRS.

The Group will apply the new standard no sooner than the day determined by the European Union as the effective date of the standard. Due to the transitional nature of the standard, the European Commission has decided not to launch the approval process of this standard and to wait for the final 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 is effective for annual periods beginning on or after 1 January 2018 (originally — 2017), with earlier adoption permitted. The standard determines a uniform framework for recognising revenue and provides principles which will replace most of the currently existing detailed guidelines of IFRS on recognising revenue, in particular the guidelines contained in IAS 18 Revenue, IAS 11 Construction Contracts and in interpretations related thereto. On 11 September 2015, the International Accounting Standards Board published draft amendments to the standard, postponing the effective date of this standard by a year.

As of the date of preparing these Financial Statements, it is not possible to reasonably assess the impact of applying the new standard. The Group has begun an analysis of the effects of applying the new standard.

- IFRS 16 *Leases*

The new standard was published on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted (on condition of simultaneous adoption of IFRS 15). The standard replaces the existing lease regulations (inter alia, IAS 17) 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 date of preparing these Financial Statements, it is not possible to reasonably assess the impact of applying the new standard. The Group has begun 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 they are effective for annual periods beginning on or after 1 January 2016 (currently the effective date is postponed with no indication of the initial date). The amendments bring further clarification of accounting for transactions where the parent entity loses control over a subsidiary that does not constitute a "business" as defined under IFRS 3 "Business Combinations" through sales of its shares in such subsidiary in whole or in part to an associated entity or a joint venture recognized under 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 now decided to defer the formal approval procedure for amended standards.

As at the date of these Financial Statements, it is impossible to reasonably assess 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 January 2016 and are effective for annual periods beginning on or after 01 January 2017. They aim at specifying the requirements applied to the recognition of deferred tax assets relative to debt financial instruments measured at fair value.

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. Presently, the European Commission has launched the formal approval procedure for amending the standard.

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 are effective for annual periods beginning on or after 01 January 2017. The objective of the amendments was to broaden the range of information conveyed to the recipients of financial statements regarding the entity's financial activity through additional disclosures of changes in the carrying amount of liabilities related to the financing of the entity's activity.

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. Presently, the European Commission has launched the formal approval procedure for amending the standard.

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 of 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*

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

The objective of the amendments to the standard was to clarify the method of 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: *Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"* published on 12 September 2016.

These amendments are effective for 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.

- Revisions to various standards that resulted from the annual review of the International Financial Reporting Standards (*Annual Improvements 2014–2016*)

On 8 December 2016, as a result of a review of IFRS, minor amendments were made to the following 3 standards:

- IFRS 1 *Interim Financial Reporting* — deletion of several exemptions contained in that standard that are no longer applicable,

- IFRS 12 *Disclosure of Interests in Other Entities* — clarification of requirements concerning the disclosure of information on shares, regardless whether or not they are classified as held for sale, for distribution as a dividend and discontinued operations,

- IAS 28 *Investments in Associates and Joint Ventures* — clarification of the moment when investment entities (e.g. venture capital entities) may decide that shares in associates or joint ventures are to be measured at fair value and not using the equity method.

They apply predominantly to annual periods beginning on or after 1 January 2018 (some of them to periods beginning already on 1 January 2017).

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

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The new interpretation was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. The purpose of the interpretation is to indicate how to determine the transaction date for the purpose of establishing the appropriate exchange rate for a foreign currency transaction when an entity pays or receives an advance payment in a foreign currency.

The Group will apply the new interpretation as of 01 January 2018.

As at the date of these Financial Statements, it is impossible to reasonably assess the impact of applying the new interpretation. The Company has begun an analysis of the effects of applying the new interpretation.

- Amendment to IAS 40 *Transfers of Investment Property*

The amendment to IAS 40 was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. It is aimed at clarifying that a transfer of a real property to or from investment property may take place when, and only when, there is evidence of a change in use of the property.

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

In the Group's opinion, applying the amended standard will not materially 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 had not been approved by the EU as of the date of approving these financial statements.

- IFRS 14 *Regulatory Deferral Accounts* published on 30 January 2014,
- 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,
- Clarification of provisions of 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: *Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"* published on 12 September 2016,
- Revisions to various standards that resulted from the annual review of the International Financial Reporting Standards (*Annual Improvements 2014–2016*) published on 8 December 2016.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* published on 8 December 2016,
- Amendment to IAS 40 *Transfers of Investment Property* published on 8 December 2016.

2.5. 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 thousands of PLN.

Methods applied to translation of data denominated in foreign currencies

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 method:
– particular 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 31 March 2017 this exchange rate stood at: EUR 1 = PLN 4.2198, as of 31 December 2016: EUR 1 = PLN 4.4240 and as of 31 March 2016: EUR 1 = PLN 4.2684;

− 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 Q1 2017 this exchange rate stood at: EUR 1 = PLN 4.2891, for Q1 2016: EUR 1 = PLN 4.3559.

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

– individual items in the statements of financial position were converted at the average exchange rate announced by the National Bank of Poland as at the balance-sheet date. As at 31 March 2017, the exchange rate stood at CNY 1 = PLN 0.5726;

− 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 Q1 2017, the exchange rate stood at CNY 1 = PLN 0.5844.

3. Major estimates and judgements

The preparation of the Consolidated Financial Statements requires the Management Board to make certain estimates as certain data included in the Financial Statements cannot be measured precisely. The Management Board verifies the estimates based on changes in factors taken into consideration in order to make said estimates, new data or past experience. Therefore, the estimates made as of 31 March 2017 may be subject to adjustments in the future.
Presented below are areas for which the estimates made as of the reporting date carry a risk of material adjustments of the carrying value of the assets and liabilities declared in the next or subsequent financial years.

3.1.Use periods of tangible fixed assets and intangible assets

As of 31 March 2017, the companies from the Group estimated the use periods of property, plant and equipment and intangible assets. The analysis did not demonstrate the necessity to make any adjustments in this area.

3.2.Impairment of goodwill and other intangible assets in subsidiaries

As of 31 March 2017, the companies from the Group assessed whether there were any premises in place pointing to impairment of investments in the subsidiaries (goodwill and other intangible assets).
Having analysed external and internal sources of information, the Management Board did not identify any premises that would indicate a need to recognise any additional impairment write-off.

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. in restructuring 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 calculation and payment of the goods and services tax, and in one case, the 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 regarding VAT for 2008 resulted in three decisions. Currently, there are ongoing legal disputes related to those decisions. The total value of the subject of the dispute is PLN 6,761 thousand. The Company recognised a provision for claims resulting from the settled decisions of the Tax Inspection Authority in the full amount of the dispute. ACTION S.A. in restructuring has paid the amounts resulting from the above-mentioned decisions of the Tax Inspection Authority in full.

On 22 June 2016, the Company received a decision of the Head of the Tax Office in Olsztyn regarding the 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 7 June 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 thousand (with late payment interests, said amount is PLN 29,115 thousand). The decision in question was upheld by a decision of the Head of the Tax Chamber in Warsaw dated 24 October 2016 (as announced by the Company in current report No. 56/2016 dated 7 November 2016). The above decision was appealed against on 7 December 2016 with the Voivodeship Administrative Court. As of the date of these Financial Statements, the appeal has not been reviewed.
On 20 July 2016, the Company received the decision of the Head of the Tax Office in Warsaw regarding the 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 June 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 36,639 thousand (with late payment interests, said amount is PLN 36,989 thousand). An appeal against this decision was filed with the Head of the Tax Administration Chamber. To date, this appeal has not been considered.

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 in full 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 several years, the Company has paid 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.
Provisions were recognised for all the above decisions.

Other proceedings remain pending. At this stage, their final result cannot be foreseen. The Company has always exercised 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. Therefore, in the opinion of the Management Board, the probability that the ongoing inspections will yield a negative final outcome remains low.

3.4.Employee benefits

The current value of retirement and disability benefits is established using the actuarial method. Valuation with the actuarial method requires adopting certain assumptions concerning discount rates, projected rises of salaries or projected increases of retirement benefits. Having regard to the complexity of the valuation, the assumptions adopted as well as their long-term nature, the liabilities on account of retirement and disability benefits are sensitive to changes of their underlying assumptions. All the assumptions are verified as of the balance-sheet day.

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

As of each balance-sheet date, the Group measures after sale discounts due from suppliers though not provided as of the balance-sheet date. The estimates are based on the rules of awarding discounts agreed on with the suppliers and corroborated by agreements or other arrangements in amounts confirmed by suppliers.

3.6.Write-downs on receivables

The companies of the Group update the value of their receivables on an ongoing basis taking into account the probability of their payment by means of appropriate write-downs. Probability is estimated on the basis of the opinion of the Management Board about the recoverability of overdue receivables and the assessment of the threat of non-recoverability of overdue receivables.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

4. Information on business segments

Since 1 January 2010, the ACTION S.A. Capital Group in restructuring has been obliged to present its results using the framework defined in IFRS 8 *Operating Segments*.
This standard defines a segment as a part of an entity:
- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment;
- for which discrete 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 revenue and profits earned from that business exceed in total 94% of the revenue and profits generated by the Capital Group;
- no discrete 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 discrete financial information for individual product groups, operating decisions are made based on a number of detailed analyses and financial results from sale of all products in all distribution channels;
- the Management Board of ACTION S.A. in restructuring, the entity's chief operating decision maker, 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 based on analysing the operating environment.

5. Revenue 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. This does not, however, mean significant seasonal or cyclical nature of sales revenues.

5.2.Revenues on sales

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

	For the period 1/01/2017–31/03/2017	**For the period 01/01/2016–31/03/2016**
Revenues from sales of products (services)	5,827	17,685
Revenue from sale of goods and materials	428,402	1,071,844
	434,229	**1,089,529**

5.3.Costs by type

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

	For the period 1/01/2017–31/03/2017	For the period 01/01/2016–31/03/2016
Depreciation of fixed assets and amortisation of intangible assets	2,691	3,645
Costs of employee benefits	17,623	20,877
Materials and energy consumption	1,765	2,262
Outsourced services	15,003	22,220
Taxes and fees	586	825
Advertising expenses	3,005	12,957
Property and personal insurance	257	412
Other costs by type	268	593
Costs of products, goods and materials sold, of which:	409,596	1,022,183
- write-down on inventories	4,464	-656
Total costs of products, goods and materials sold, costs of sales and marketing as well as general and administrative expenses	**450,794**	**1,085,974**

5.4.Costs of employee benefits

	For the period 1/01/2017–31/03/2017	For the period 01/01/2016–31/03/2016
Payroll	14,893	17,506
Social security and other benefits	2,730	3,371
	17,623	**20,877**

5.5.Other operating revenue and profits

	For the period 1/01/2017–31/03/2017	For the period 01/01/2016–31/03/2016
Net foreign exchange gains	486	0
Revenue from measurement of financial instruments	0	0
Interest revenues	389	47
Revenue from overdue liabilities	0	33
Revenue from damages received	135	210
Revenue from provisions released	83	0
Revenue from donations received	15	127
Other revenues	45	427
Gain on disposal of non-financial non-current assets	0	144
	1,153	**988**

5.6.Other expenses and losses

	For the period 1/01/2017–31/03/2017	For the period 01/01/2016–31/03/2016
Net foreign exchange losses	12	21
Costs of damages paid	87	497
Costs relative to measurement of financial instruments	305	105
Costs of write-downs on receivables	11	1,525
Costs of write-offs of receivables	3	6

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Trade interest expenses	202	0
Costs of court proceedings	204	0
Costs of write-downs on financial assets	489	0
Costs of donations	0	2
Loss on disposal of financial non-current assets	429	0
Other expenses	50	148
	1,792	**2,304**

5.7.Financial expenses

	For the period 1/01/2017–31/03/2017	**For the period 01/01/2016–31/03/2016**
Interest on credits and loans	646	717
Interest on leases	47	71
Interest and discount on factoring	0	636
Interest on bonds	0	787
	693	**2,211**

5.8.Income tax

	For the period 1/01/2017–31/03/2017	**For the period 01/01/2016–31/03/2016**
Current tax	2	1,885
Deferred tax	82	-1,215
	84	**670**

Deferred tax

Presented below is the deferred income tax subject to offsetting:

	31/03/2017	**31/12/2016**
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	2,873	11,251
	2,873	**11,251**
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	1,438	9,702
	1,438	**9,702**
Deferred income tax assets	**1,499**	**1,580**
Deferred income tax provisions	**64**	**31**
Deferred income tax assets/provisions (on balance)	**1,435**	**1,549**

Changes in the deferred income tax (after the set-off of the asset and provision) are as follows:

	31/03/2017	**31/12/2016**

Opening balance	**1,549**	**-6,573**
Increase/decrease in financial result	-82	7,690
Increase/decrease in equity	-32	432
Closing balance	**1,435**	**1,549**

5.9.Property, plant and equipment

In the reporting period, the Group incurred capital expenditures of PLN 1,063 thousand.

5.10.Investment real property

Investment real property of a joint value of PLN 3,545 thousand comprises rights of perpetual usufruct to land, ownership rights to buildings used so far for operating activities of PLN 2,807 thousand with notarial fees of PLN 24 thousand and outlays on initiated investments of PLN 714 thousand reclassified from property, plant and equipment.

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 real property is PLN 0.

As of the date of drawing up these Interim Condensed Financial Statements, there were no restrictions in place as to the use of investment real property by the Company, obtaining rent-related economic benefits or disposal of the aforesaid real property. Investment real property does not constitute security for liabilities due to loans, borrowings or transactions.

5.11.Inventories

	31/03/2017	31/12/2016	31.03.2016
Materials	0	0	0
Goods	173,980	188,085	579,727
Prepayments for deliveries	0	0	0
	173,980	**188,085**	**579,727**
Write-downs on inventories	-4,969	-9,433	-3,634
Inventories	**169,011**	**178,652**	**576,093**

Write-downs on inventories

	31/03/2017	31/12/2016	31/03/2016
Opening write-down on inventories	**-9,433**	**-2,978**	**-2,978**
Created (Costs of products, goods and materials sold)	0	-6,455	-656
Utilised	0	0	0

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Released (Costs of products, goods and materials sold)	4,464	0	0
Closing write-down on inventories	**-4,969**	**-9,433**	**-3,634**

An impairment loss was released as a result of revaluation of merchandise based on inventory ageing.
The Group did not hold any inventory measured at the net sale price as of 31 March 2017 and 31 December 2016.

5.12.Write-downs on trade and other receivables

	31/03/2017	31/12/2016	31/03/2016
Opening write-downs on receivables	**-15,950**	**-15,265**	**-15,265**
Created	-11	-5,183	-1,525
Utilised	0	4,047	0
Released	0	451	0
Closing write-downs on receivables	**-15,961**	**-15,950**	**-16,790**

5.13.Credits, loans and other liabilities due to financing

	31/03/2017	31/12/2016	31/03/2016
Long-term			
Investment credit	0	11,996	20,647
Lease liabilities	6,612	7,544	9,365
Loans	0	0	0
Bond liabilities	0	0	100,000
	6,612	**19,540**	**130,012**
Current			
Overdraft and investment loan	105,665	148,313	154,009
Lease liabilities	2,612	2,829	3,414
Loans	1,550	1,000	1,000
Bond liabilities	101,573	101,573	752
	211,400	**253,715**	**159,175**
Total	**218,012**	**273,255**	**289,187**

Ageing structure of liabilities arising from credits, loans and other liabilities due to financing

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

	31/03/2017	31/12/2016	31/03/2016
Liabilities maturing from the balance sheet date			
Up to 1 year	211,400	253,715	159,175
1 to 5 years	6,612	19,540	130,012
Over 5 years	0	0	0
Total	**218,012**	**273,255**	**289,187**

Lease liabilities

	31/03/2017	31/12/2016	31/03/2016
Nominal value of minimum lease fees			
Up to 1 year	2,888	3,144	3,634
1 to 5 years	6,627	7,585	9,675
Over 5 years	0	0	0
Total finance lease liabilities – total minimum lease fees	**9,515**	**10,729**	**13,309**
Financial expenses due to finance lease	**291**	**356**	**530**
Present value of minimum lease fees			
Up to 1 year	6,612	2,947	3,414
1 to 5 years	2,612	7,426	9,365
Over 5 years	0	0	0
Total present value of minimum leasing fees	**9,224**	**10,373**	**12,779**

5.14.Hedge accounting

The Company hedges 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 decreased by 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.
The tables below present basic parameters of currency cash items designated for hedging instruments, including the periods when cash flows from cash flow hedging will occur and when they will influence the financial result as well as their fair value in Polish zloty as of 31 March 2017.

Hedging instruments – EUR
(amounts in PLN)

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Type of instrument	Nominal value		Fair value*		Expected hedged position settlement period	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Trade liabilities	- 52,172,817	- 288,718,406	- 52,172,817	- 288,718,406	April/May 2017	April/May 2016
Trade receivables	81,804,531	161,787,045	81,804,531	161,787,045	April/May 2017	April/May 2016
Cash	17,793,949	40,665,465	17,793,949	40,665,465	April/May 2017	April/May 2016
FX Forward EUR	-	- 3,414,720	-	- 105	April/May 2017	April/May 2016
Loans	- 38,549,801	- 87,885,003	- 38,549,801	- 87,885,003	April/May 2017	April/May 2016
Finance lease	- 8,875,863	- 12,090,725	- 8,875,863	- 12,090,725	April/May 2017	April/May 2016
Total monetary items	**-**	**- 189,656,345**	**-**	**- 186,241,730**		

Hedging instruments – USD
(amounts in PLN)

Type of instrument	Nominal value		Fair value*		Expected hedged position settlement period	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Trade liabilities	- 50,605,757	- 83,900,011	- 50,605,757	- 83,900,011	April/May 2017	April/May 2016
Trade receivables	12,859,234	44,150,168	12,859,234	44,150,168	April/May 2017	April/May 2016
Cash	28,314,997	3,416,745	28,314 997	3,416,745	April/May 2017	April/May 2016
FX Forward USD	-	897,536	-	-	April/May 2017	April/May 2016
Loans	- 11,800,168	- 19,900,753	- 11,800,168	- 19,900,753	April/May 2017	April/May 2016
Finance lease	-	-	-	-	April/May 2017	April/May 2016
Total monetary items	**- 21,231,694**	**- 55,336,316**	**- 21,231,694**	**- 56,233,852**		

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

Change in the fair value of cash flow hedging charged on equity
(amounts in PLN)

	3 months until 31 March 2017	3 months until 31 March 2016
Opening balance	**-218,153**	**2,055,180**
Effective part of profits/ losses on the hedging instrument	1,682,962	9,353,011
Amounts recognised in the profit and loss account, of which:	1,516,430	4,260,299

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

- adjustment of other revenues and profits / other costs and losses	1,516,430	4,260,299
- adjustment due to ineffectiveness of hedging	-	-
Closing balance	**-51,601**	**7,147,892**

6. Contingent assets and liabilities

As of 31 March 2017,the Company had contingent receivables due to repayment of receivables of PLN 9,391 thousand. Hedging liabilities under agreements signed as of the reporting date which were not reflected in the Group's Interim Consolidated Condensed Financial Statements amounted to PLN 7,735 thousand as of 31 March 2017 and PLN 9,017 thousand as of 31 December 2016.

	31/03/2017	31/12/2016	31/03/2016
1. Contingent receivables	**9,391**	**9,435**	**9,400**
1.1. From other parties under	9,391	9,435	9,400
- guarantees and sureties received	9,391	9,435	9,400
2. Contingent liabilities	**7,735**	**9,017**	**37,915**
1.1. Due to other parties under	7,735	9,017	37,915
- guarantees and securities granted	6,725	6,922	18,023
- letters of credit	1,010	2,095	19,892
3. Other (under)	**0**	**0**	**0**
Total off-balance sheet items	**17,126**	**18,452**	**47,315**

7. Events after the balance-sheet date

At its meeting on 28 April 2017, the Board of Creditors of ACTION S.A. in restructuring adopted a resolution on the opinion regarding the Restructuring Plan submitted by the Company to the District Court of the capital city of Warsaw in Warsaw, 10th Division for Liquidation and Restructuring on 2 November 2016.
The majority of measures taken by the Debtor during restructuring was assessed positively by the Board. The Board did not approve of part of the measures and obliged the Company to carry out specific measures.
In said opinion, the Board indicated that it approved the direction of the Debtor's measures as regards: resigning from contracts and projects with lower margins (from 2.2% to 2.6% of margin) or significantly limiting their number; focusing on further development of distribution channels with the highest profitability, such as E-Commerce and the Dealer Channel and taking significant actions to increase margin in the coming periods; selective choice of suppliers to increase margin; reorganising business departments by centralising the Purchase and Sales Departments of the Debtor and its subsidiary – SFERIS Sp. z o.o.; withdrawing from leasing a warehouse in Nadarzyn; analysing warehouse inventory and related intensification of the sale of goods in the Company's warehouse to maintain maximum turnover of ca. 21 days, while keeping levels necessary for conducting business by the Debtor and for satisfying creditors for which registered pledges were established; reducing costs of business (including personnel costs); consolidating the entities of the ACTION Capital Group (defined in the Plan).
The Board of Creditors did not approve of: the conditions and rules for restructuring financial commitments presented by the Company, possible sale of goods in the Company's warehouse only to satisfy the Debtor's current financial needs; the projections and financial data and estimated valuation of the Debtor's assets included in the Plan. The Board of Creditors indicated that in its opinion the financial projections should be more detailed. Therefore, the Board presented guidelines that in its opinion the Company should follow when preparing financial projections.

With regard to the above statements in the opinion of the Board of Creditors regarding the Board of Creditor's refusal to issue a positive opinion, the Issuer's Management Board presents the following position:
Conditions for restructuring liabilities:
The Company has included proposals for restructuring liabilities already in the Restructuring Plan in order to present to creditors and other stakeholders its position in this area at the earliest possible stage of restructuring proceedings. This measure was necessary also due to the need to prepare and include in the Restructuring Plan the so-called market economy creditor test. The Issuer emphasises that the proposals for restructuring liabilities are a result of in-depth analyses and they fully correspond with the 5-year projections included in the Restructuring Plan. In the opinion of the Management Board, the contents of the Restructuring Plan unequivocally confirm these relations and compliance of the proposals for restructuring liabilities with the assumed capacities of the Company. The document also indicates (in part including the so-called market economy creditor test) that the proposals presented there are evidently more favourable than the expected conditions for satisfying creditors in the event of liquidation of assets under bankruptcy proceedings.
Possible sale of goods only to satisfy current financial needs of the Debtor:
The Company does not carry out sale of goods "only to satisfy current financial needs of the Debtor" and has not included such a measure in the Restructuring Plan. Equal decrease in stocks and sale levels is a (necessary and logical) consequence of such actions and it follows from adjusting stocks to the Issuer's current needs. In no way can it be the basis for a request to carry out sales to satisfy only financial needs of the Company.
Projections, financial data and estimates of assets valuation:
The Board of Creditors did not issue a positive opinion on the projections, financial data and estimates of the Company's assets valuation enclosed with the Restructuring Plan. It also held that these are insufficiently detailed and imprecise. In the Management Board's opinion, said elements of the Restructuring Plan were prepared correctly, with diligence and taking into account many years of the Company's experience in business.

On 20 April 2017, a meeting of the Board of Creditors of ACTION S.A. in restructuring was held. During this meeting, the Board of Creditors approved the Company's request to consent to the conclusion of an annex with Bank PEKAO S.A., under which the bank will grant new financing in the form of a revolving overdraft facility, on condition that the Company will not establish any new collateral in favour of Bank PEKAO S.A. and will not increase additional collateral. Based on the above, the Company is authorised to sign Annex No. 27 to the Overdraft Facility Agreement No. 2005/1006392654, under which the Bank will grant to the Borrower a multi-currency revolving overdraft facility (the "Facility") in Polish zloty ("PLN"), US dollars ("USD") or euro ("EUR"). The Facility will be granted for a period until 29 December 2017 (the "Facility Term"). Until the last date of the Facility Term, the Facility is revolving.
The maximum total amount of the Facility on the date of concluding Annex No. 27 to the Agreement is EUR 9,135,456.79, according to the National Bank of Poland exchange rate on the date of the annex. The facility in question is to be utilised to finance the current operations of the Borrower.

On 19 April 2017, the Court of Appeal in Warsaw dismissed the appeal by ATOS Polska S.A. against the decision of the District Court in Warsaw on revoking the decision related to granting an enforcement clause to the order for payment under the writ of payment proceedings (file ref. VI ACz 590/17). The above indicate that the order for payment of 14 June 2016, under which ATOS POLSKA S.A. submitted a claim against the Issuer in the amount of PLN 26,749,797.68, became null and void. Upon the receipt of the above order for payment, the Company objected to it and the case was referred to court.

The Receiver of SFK Sp. z o.o. in bankruptcy (subsidiary of the Issuer) received four decisions of the Head of the Tax Administration Chamber in Kraków, in which the Head of the Tax Administration Chamber revoked the decisions of the Head of the Tax Inspection Authority in Kraków specifying tax obligations and questioning the amount of tax deducted by the company for the period from June 2015 to September 2015 totalling PLN 2,766,008.00. Upon the revoking of said decisions, the case was referred for judicial review. As one of the reasons for its decision, the appeal body indicated no evidence of abuse of tax provisions resulting in unlawful reduction of the amounts due to the State Treasury, which is necessary to exclude from the right to deduct VAT.

On 10 April 2017, the legal representative of the Company for the purposes of litigation filed with the District Court in Warsaw, 20th Commercial Division a petition against HSBC Bank Polska S.A. with its registered office in Warsaw ("Bank") regarding the payment of PLN 174,446,368.74 with statutory interest for late

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

payment and ordering that the Defendant perform the Overdraft, Guarantee and Letter of Credit Agreement No. 51/2009 of 29 May 2009 in the wording of Annex No. 18 of 23 June 2016.
The Issuer indicates that the amount of claim pursued in said petition was specified at the Company's order by a business valuator and includes in particular the impairment of goodwill resulting from the actions of the Defendant.

III. Other quarterly financial information

1. Description of the Issuer's material achievements and failures in the reporting period and a list of the major related events

	Q1 2017	Q1 2016
Net sales	**434,229**	**1,089,529**
Gross profit from sales	**24,633**	**67,346**
gross margin	*5.7%*	6.2%
EBIT	**-17,204**	**2,239**
EBIT margin	*-4.0%*	0.2%
Net profit	**-17,601**	**382**
net margin	*-4.1%*	0.04%

In Q1 2017, the Group posted sales revenue of PLN 434,229 thousand, down 60% compared to the sales in the same period of the previous year.
In that period, the Group made a sales profit of PLN 24,633 thousand and an operating loss of PLN 17,204 thousand. The net loss of ACTION S.A. Capital Group in restructuring in Q1 2017 amounted to PLN 17,601 thousand.
The Group's gross margin on sales was by 0.5 pp lower than in the same period of the previous year.

In the opinion of the Management Board of ACTION S.A. in restructuring, the results of Q1 2017 were impacted predominately by the change of the business model of the ACTION S.A. Capital Group in restructuring, the ongoing remedial proceedings and related significant limitation of external financing for the Group's Companies as well as pre-remedial closing out. The issues resulting from the very difficult and demanding market environment and lack of breakthrough innovations in the industry are also significant.

In the second quarter of 2017, a similar demand for the goods offered by the Group companies is expected, in particular in connection with:

- the spring and summer period, which significantly affects the demand for products offered by the Group,
- gaining new business partners and products corresponding to the current demand,
- a material change of the Company's management strategy,
- development of the retail channel and e-commerce within the Group and increase in the recipients' base,
- stable position of ACTION EUROPE on the German market.

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

The most important factors affecting the results in Q1 2017 were the consequences of the ongoing restructuring proceedings and related limitations:

- a complete reduction of overdraft facilities for the entities in the Group by the facility insurers,
- no guarantee limits for suppliers of the entities of the Group,
- significant limitations in availability of facilities offered by banks.

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

On 4 July 2014, ACTION S.A. in restructuring 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(3) of the Bonds Act (private placement) and as part of the Bonds Issue Programme of ACTION S.A. in restructuring.

The issue price of the bonds was equal to their nominal value. The bonds' redemption date was set to 4 July 2017 at the bonds' nominal value. The bonds bear interest according to the variable interest rate based on WIBOR 6M, plus a fixed margin. The interest is paid in 6-month periods.

The Issuer simultaneously notes that due to the ongoing remedial proceedings the claims on redemption and interest on bonds series ACT01 040717, for which payment dates fall after the date of opening remedial proceedings:

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

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

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

On 24 October 2014, ACTION GAMES LAB S.A. concluded an agreement to take out a loan from its main shareholder, Piotr Bieliński, amounting to PLN 1,000 thousand. The loan bears interest at a variable rate of WIBOR 3M plus the lender's margin. The loan matures on 30 June 2017.

4. Information on dividend paid/declared

In 2016 the Company incurred a loss.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

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

The Company's Management Board decided not to publish forecasts for 2017.

6. Effects of changes in the Group's structure

No changes occurred in the structure of the Group during the reporting period.

7. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of total votes at the Company's general meeting as of the date of submitting the Quarterly Statements, including the number of shares held by such entities, their percentage share in the share capital, the number of votes conferred by those shares and their percentage share in the total votes at the general meeting and specification of changes in the ownership structure of the Company

According to the information held by the Company, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders as of the date of issue of the previous statements for 2016, i.e. 25 April 2017, were:

Natural or legal person	Number of shares held	Percentage share in the capital of ACTION S.A.	Number of votes	Percentage 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%
Other	8,852,404	52.21%	8,852,404	52.21%

*) As of 25/05/2015

The shareholding structure above 5% share in the share capital as of the day of preparing the statements for Q1 2017 had not changed and is as follows:

Natural or legal person	Number of shares held	Percentage share in the capital of ACTION S.A.	Number of votes	Percentage 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%
Other	8,852,404	52.21%	8,852,404	52.21%

*) As of 25/05/2015

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

8. List of changes in the Company shares or share rights (options) held by persons managing and supervising the Company, according to the information available to the Company

As of the date of submitting the statements for 2016, i.e. 25 April 2017, the persons managing and supervising ACTION S.A. held the following number of shares:

Full name	Position in the management of ACTION S.A.	Number of ACTION S.A.'s shares
Piotr Bieliński	President of the Management Board	3,811,749
Edward Wojtysiak	Vice-President of the Management Board	0
Sławomir Harazin	Vice-President of the Management Board	15,017
Iwona Bocianowska	Chairperson of the Supervisory Board	0
Piotr Chajderowski	Member of the Supervisory Board	0
Marek Jakubowski	Member of the Supervisory Board	0
Krzysztof Kaczmarczyk	Member of the Supervisory Board	0
Karol Orzechowski	Member of the Supervisory Board	0
Wojciech Wietrzykowski	Commercial Representative	1,199,390
Andrzej Biały	Commercial Representative	500

According to the information available to the Company, the above data changed as at the date of submitting these Statements for Q1 2017, i.e. 30 May 2017, and it is as follows:

Full name	Position in the management of ACTION S.A.	Number of ACTION S.A.'s shares
Piotr Bieliński	President of the Management Board	3,811,749
Edward Wojtysiak	Vice-President of the Management Board	0
Sławomir Harazin	Vice-President of the Management Board	15,017
Iwona Bocianowska	Chairperson of the Supervisory Board	0
Piotr Chajderowski	Member of the Supervisory Board	0
Marek Jakubowski	Member of the Supervisory Board	0
Krzysztof Kaczmarczyk	Member of the Supervisory Board	0
Karol Orzechowski	Member of the Supervisory Board	0
Wojciech Wietrzykowski	Commercial Representative	1,199,390
Andrzej Biały	Commercial Representative	5,323

9. Identification of material proceedings pending before court, competent arbitration authority or public administration authority

In the reporting period, the Company continued to be the implicated in proceedings regarding the Issuer's liabilities amounting to at least 10% of the Company's equity, determined separately for specific proceedings and jointly for all proceedings.

The above proceedings are pending before the District Court in Warsaw and were brought by ATOS POLSKA S.A. with its registered office in Warsaw against the Issuer with regard to payment of PLN 26.7 M. During the course of the proceedings:

a) the District Court in Warsaw issued on 14 June 2016 an order for payment of the above amount. The decision was not delivered to the Company in line with the procedure. Upon being notified of the decision, the Company applied for delivery of the decision and revoking the decision related to granting an enforcement clause;

b) the District Court in Warsaw issued on 21 December 2016 the decision on revoking the decision of 7 October 2016 on granting an enforcement clause to the order for payment of 14 June 2016. The Petitioner lodged a complaint with regard to the decision on revoking the decision on granting an enforcement clause. The Court of Appeal in Warsaw dismissed said complaint. The Company effectively appealed against the order for payment, as a result of which the decision became null and void. The case was referred to court. As of the date of these Financial Statements, the date of hearing has not been specified.

The above proceedings were included in this note in connection with impairment of the Issuer's equity as of 31 December 2016. The Issuer also notifies that it has as before presented information on significant tax proceedings in note *3.3 Taxes*.

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 were concluded on other than market terms, with an indication of 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

Hedging liabilities (guarantees, sureties and letter of credit) with respect to third parties, arising from contracts signed as of 31 March 2017, amounted to PLN 7,735 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 relevant to the evaluation of the Group's HR, property and financial situation, its financial result and ability to meet liabilities

According to the submitted Restructuring Plan, the Company intends to significantly (i.e. by at least 20%) reduce its personnel costs by the end of Q2 2017. These measures will take place mainly be redundancy, combining competences and strengthening organisational structure. Information on assessing economic and financial situation, financial result and ability to fulfil obligations is presented in note 2.2. *Continuation of operations*

13. Factors affecting the Group's results by the end of 2017

In 2017, the key factor determining the operating result of the Company will remain the course of the restructuring proceedings and their consequences. Therefore, ACTION S.A. in restructuring plans to implement tasks described in detail in the Restructuring Plan. According to the Management Board, the implementation of assumptions adopted in the Restructuring Plan will enable the fulfilment of financial projections constituting an appendix to the Plan.

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

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's companies and related parties not subject to consolidation.

The following tables present the amounts of mutual settlements and transactions concluded between the companies of the Group and non-consolidated related companies.

Data as of 31 March 2017 and for the period from 01/01/2017 to 31/03/2017

	Receivables	Liabilities	Revenues on sales	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. **)	0	9	0	95
A.PL INTERNET S.A. ***)	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o. ****)	0	0	0	83
ACTION ENERGY Sp. z o.o. *****)	9,116	0	115	2,236
TYTANID Sp. z o.o. *******)	0	0	0	0
Total	**9,116**	**9**	**115**	**2,414**

***) The gross value of receivables is PLN 815 thousand, including 104 thousand from a loan. The write-down is PLN 815 thousand.

Data as of 31 March 2016 and for the period from 01/01/2016 to 31/03/2016

	Receivables	Liabilities	Revenues on sales	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	125	0	0	0
ACTIVE TRAVEL Sp. z o.o. **)	0	22	0	360
A.PL INTERNET S.A. ***)	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o. ****)	0	15	0	153
ACTION ENERGY Sp. z o.o. *****)	503	0	208	133
TYTANID Sp. z o.o. *******)	0	0	0	0
Total	**628**	**37**	**208**	**646**

*) 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. o.o. with its registered office in Warsaw

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

*****) ACTION ENERGY Sp. z o.o. with its registered office in Kraków – excluded from consolidation as of 1 January 2015 due to loss of significant influence.
********) TYTANID Sp. z o.o. with its registered office in Zamienie – it had not started operating until the date of approval of the statements.

14.2. Transactions with associates subject to consolidation

Data as of 31 March 2017 and for the period from 01/01/2017 to 31/03/2017

	Receivables	**Liabilities**	**Revenues on sales**	**Purchases and costs**
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	2	0	17	27
SYSTEMS Sp. z o.o.	0	0	0	0
Total	**2**	**0**	**17**	**27**

Data as of 31 March 2016 and for the period from 01/01/2016 to 31/03/2016

	Receivables	**Liabilities**	**Revenues on sales**	**Purchases and costs**
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	3	12	140	151
SYSTEMS Sp. z o.o.	0	0	0	0
Total	**3**	**12**	**140**	**151**

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

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 31 March 2017 include: the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and selected explanatory data.

Pursuant to the requirements of the Ordinance of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, and the Ordinance of the 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 recognizing 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 recognizing 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 hereby represents that:

- to the best of their knowledge, the quarterly condensed financial statements and comparative data have been prepared in compliance with accounting policies in force and they give a true and fair view of the economic and financial position of the Company and its financial result.

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

Warsaw, 30 May 2017

V. Interim Condensed Financial Statements of ACTION S.A. in restructuring for the period from 01 January 2017 to 31 March 2017

Selected financial data of ACTION S.A. in restructuring

SELECTED SEPARATE FINANCIAL DATA	in PLN thousand		in EUR thousand	
	Q1 period 01/01/2017–31/03/2017	Q1 period 01/01/2016–31/03/2016	Q1 period 01/01/2017–31/03/2017	Q1 period 01/01/2016–31/03/2016
I. Net revenues from sales of products, goods and materials	333,674	929,497	77,796	213,388
II. Gross profit/loss on sale	12,020	47,618	2,802	10,932
III. Profit/loss from operating activities	-13,137	6,878	-3,063	1,579
IV. Net profit/loss attributable to the Company's shareholders	-13,501	4,122	-3,148	946
V. Net operating cash flows	75,904	-730	17,697	-168
VI. Net cash flow from investing activities	-614	-1,152	-143	-264
VII. Net cash flow from financing activities	-51,851	30,235	-12,089	6,941
VIII. Net increases (decreases) in cash	23,439	28,353	5,465	6,509
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-0.80	0.24	-0.19	0.06
	As of 31/03/2017	As of 31/12/2016	As of 31/03/2017	As of 31/12/2016
X. Total assets	721,526	821,968	170,986	185,797
XI. Liabilities	536,782	623,858	127,206	141,017
XII. Long-term liabilities	6,427	19,339	1,523	4,371
XIII. Current liabilities	530,355	604,519	125,682	136,645
XIV. Equity attributable to the Company’s shareholders	184,744	198,110	43,780	44,781
XV. Initial capital	1,696	1,696	402	383
XVI. Number of shares **) (in units)	16,957,000	16,957,000	16,957,000	16,957,000
XVII. Book value per share *** (in PLN/EUR)	10.89	11.68	2.58	2.64

*) Profit per ordinary share was calculated as the quotient of net profit and the number of shares.
**) The number of shares takes into account the change in the nominal value of A series shares from PLN 1 to PLN 0.10 at the same time dividing 1 share of PLN 1 into 10 shares of a nominal value of PLN 0.10. The change was performed on 11 April 2006 by way of resolution of the Extraordinary General Meeting of Shareholders.

***) The book value per share was calculated as the quotient of own Equity and the Number of shares.

PLN to EUR exchange rates

Period	Average exchange rate during the period	Minimum exchange rate during the period	Maximum exchange rate during the period	Exchange rate as of the last day of the period
01/01/2017–31/03/2017	4.2891	4.2198	4.3308	4.2198
01/01/2016–31/12/2016	4.3757	4.2684	4.4405	4.4240
01/01/2016–31/03/2016	4.3559	4.2684	4.4405	4.2684

Selected financial data presented in the Financial Statements was converted into EUR in the following manner:

- items concerning the statement of comprehensive income and the cash flow statement were converted at an 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 Q1 2017 this exchange rate stood at: EUR 1 = PLN 4.2891, for Q1 2016: EUR 1 = PLN 4.3559;

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

- 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 31 March 2017, this exchange rate stood at: EUR 1 = PLN 4.2198, as of 31 December 2016: EUR 1 = PLN 4.4240 and as of 31 March 2016: EUR 1 = PLN 4.2684.

Statement of comprehensive income

All revenues and costs relate to continuing operations.

	Q1 period 01/01/2017– 31/03/2017	**Q1 period 01/01/2016– 31/03/2016**
Revenues from sales	333,674	929,497
Costs of products, goods and materials sold	-321,654	-881,879
Gross profit from sales	**12,020**	**47,618**
Selling and marketing expenses	-19,390	-34,597
General and administrative expenses	-6,170	-6,015
Other operating revenue and profits	1,224	523
Other expenses and losses	-821	-651
Profit/loss from operating activities	**-13,137**	**6,878**
Financial expenses	-364	-2,098
Profit/loss before tax	**-13,501**	**4,780**
Income tax	0	-658
Net profit/loss for the financial period	**-13,501**	**4,122**
Other items of comprehensive income		
Net movement due to cash flow hedges	167	5,094
Income tax	-32	-968
Other items of net comprehensive income	**135**	**4,126**
Comprehensive income for the period	**-13,366**	**8,248**
Profit/loss attributable to the Company's shareholders per ordinary share (expressed in PLN per share):		
Basic	-0.80	0.24
Diluted	-0.80	0.24
Number of shares	**16,957,000**	**16,957,000**
Diluted number of shares	**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, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Statement of financial position

	31/03/2017	31/12/2016	31/03/2016
ASSETS			
Non-current assets			
Property, plant and equipment	168,416	169,402	174,236
Goodwill	0	0	0
Other intangible assets	9,222	9,546	10,260
Investment real property	6,673	6,673	6,673
Financial assets	26,785	26,785	41,448
Other financial assets	0	0	8,622
Deferred income tax assets	1,158	1,190	0
Trade and other receivables	0	0	0
	212,254	**213,596**	**241,239**
Current assets			
Inventories	126,626	143,560	490,551
Trade and other receivables	198,805	303,171	419,418
Receivables from current income tax	5,742	5,742	87
Derivative financial instruments	0	306	0
Other financial assets	15,180	16,113	17,245
Cash and cash equivalents	162,919	139,480	53,417
Total assets	**509,272**	**608,372**	**980,718**
	721,526	**821,968**	**1,221,957**
EQUITY			
Share capital	1,696	1,696	1,696
Share premium	62,231	62,231	62,231
Other reserves	30,000	30,000	30,000
Retained earnings	90,859	104,360	279,853
Other equity items	-42	-177	5,790
Total equity	**184,744**	**198,110**	**379,570**
LIABILITIES			
Long-term liabilities			
Credits, loans and other liabilities due to financing	6,427	19,339	129,547
Deferred income tax provisions	0	0	6,126
	6,427	**19,339**	**135,673**
Current liabilities			
Trade and other liabilities	353,485	388,010	578,988
Credits, loans and other liabilities due to financing	175,731	215,370	126,278
Current income tax liabilities	0	0	0
Liabilities due to employee benefits	1,139	1,139	1,357
Derivative financial instruments	0	0	91
Provisions for other liabilities and charges	0	0	0
	530,355	**604,519**	**706,714**
Total liabilities	**536,782**	**623,858**	**842,387**
Total liabilities and equity	**721,526**	**821,968**	**1,221,957**

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

Warsaw, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Statement of changes in equity

	Equity attributable to the Company's shareholders					Total equity
	Share capital	Share premium	Retained earnings	Other reserves	Capital from cash flow hedge valuation	
As of 1 January 2017	**1,696**	**62,231**	**104,360**	**30,000**	**-177**	**198,110**
Total comprehensive income			-13,501		135	**-13,366**
Dividend paid						
Other						
As of 31 March 2017	**1,696**	**62,231**	**90,859**	**30,000**	**-42**	**184,744**
As of 1 January 2016	**1,661**	**58,112**	**275,731**	**34,164**	**1,664**	**371,332**
Total comprehensive income			-154,414		-1,841	**-156,255**
Dividend paid			-16,957			**-16,957**
Other	35	4,119		-4,164		**-10**
As of 31 December 2016	**1,696**	**62,231**	**104,360**	**30,000**	**-177**	**198,110**
As of 01 January 2016	**1,661**	**58,112**	**275,731**	**34,164**	**1,664**	**371,332**
Total comprehensive income			4,122		4,126	**8,248**
Dividend paid						
Other	35	4,119		-4,164	0	**-10**
As of 31 March 2016	**1,696**	**62,231**	**279,853**	**30,000**	**5,790**	**379,570**

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

Warsaw, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Cash flow statement

	First quarters period 01/01/2017–31/03/2017	First quarters period 01/01/2016–31/03/2016
Cash flows from operating activities		
Net profit/loss for the financial period	**-13,501**	**4,122**
Adjustments for:	**89,405**	**-4,852**
Income tax	0	658
Income tax paid	0	-3,355
Depreciation of fixed assets and amortisation of intangible assets	2,368	3,171
Profit/loss from investment activity	305	91
Interest revenues	-600	-218
Interest expenses	364	2,098
Other	193	5,094
Movements in working capital:		
Inventories	16,934	-107,265
Trade receivables and other receivables	104,366	210,507
Trade and other liabilities	-34,525	-115,633
Net operating cash flow	**75,904**	**-730**
Cash flow from investing activities		
Acquisition of tangible fixed and intangible assets	-1,045	-250
Acquisition of investment real property	0	0
Inflows from the sale of property, plant and equipment and intangible assets	0	161
Other investment inflows/outflows	431	-1,063
Net cash flow from investing activities	**-614**	**-1,152**
Cash flow from financing activities		
Redemption of debt securities	0	0
Issuance of debt securities	0	0
Credits and loans received	0	34,227
Repayment of credits and loans	-50,863	0
Dividends paid	0	0
Interest paid	-362	-2,938
Payments under finance lease agreements	-626	-1,054
Other financial inflows/outflows	0	0
Net cash flow from financing activities	**-51,851**	**30,235**
Net increase/decrease in cash	**23,439**	**28,353**
Opening balance of cash	139,480	25,064
Foreign exchange gains/losses on measurement of cash	0	0
Closing balance of cash	**162,919**	**53,417**

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Warsaw, 30 May 2017

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

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 the method of their settlement.

The deferred income tax subject to offsetting is presented below:

	31/03/2017	31/12/2016
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	1,182	9,356
	1,182	**9,356**
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	24	8,166
	24	**8,166**
Deferred income tax assets	**0**	**0**
Deferred income tax provisions	**1,158**	**1,190**
Deferred income tax assets/provisions (per balance)	**1,158**	**1,190**

Changes in the deferred income tax (after the set-off of the asset and provision) are as follows:

	31/03/2017	31/12/2016
Opening balance	**1,190**	**-6,327**
Increase/decrease in financial result	0	7,085
Increase/decrease in equity	-32	432
Closing balance	**1,158**	**1,190**

2. Write-downs of asset components

2.1 Write-downs on long-term financial assets

	31/03/2017	31/12/2016	31/03/2016
Opening write-down on long-term financial assets	**-17,374**	**-2,392**	**-2,392**
Created	0	-14,982	0
Utilised	0	0	0
Released	0	0	0
Closing write-down on long-term financial assets	**-17,374**	**-17,374**	**-2,392**

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

2.2 Write-downs on short-term financial assets

	31/03/2017	31/12/2016	31.03.2016
Opening write-down on short-term financial assets	**-10,492**	**-104**	**-104**
Created	0	-10,388	0
Utilised	0	0	0
Released	0	0	0
Closing write-down on short-term financial assets	**-10,492**	**-10,492**	**-104**

2.3 Write-downs on inventories

	31/03/2017	31/12/2016	31/03/2016
Opening write-down on inventories	**-9,010**	**-2,781**	**-2,781**
Created (Costs of products, goods and materials sold)	0	-6,229	-598
Utilised	0	0	0
Released (Costs of products, goods and materials sold)	4,335	0	0
Closing write-down on inventories	**-4,675**	**-9,010**	**-3,379**

As of 31 March 2017 and 31 December 2016, the Company did not hold any inventory measured at net sale price.

2.4 Write-downs on trade and other receivables

	31/03/2017	31/12/2016	31/03/2016
Opening write-down on receivables	**-12,693**	**-12,193**	**-12,193**
Created	0	-4,823	-4
Utilised	0	4,047	0
Released	0	276	0
Closing write-down on receivables	**-12,693**	**-12,693**	**-12,197**

3. Contingent assets and liabilities

As of 31 March 2017 the Company had contingent receivables due to repayment of receivables of PLN 9,391 thousand. Hedging liabilities under agreements signed as of the reporting date which are not reflected in the

Consolidated Quarterly Report of the ACTION S.A. CAPITAL GROUP in Restructuring for Q1 2017 (all amounts in PLN thousand, unless specified otherwise)

Company's Interim Condensed Financial Statements amounted to PLN 59,567 thousand as of 31 March 2017 and PLN 63,390 thousand as of 31 December 2016.

	31/03/2017	31/12/2016	31.03.2016
1. Contingent receivables	**9,391**	**9,435**	**9,400**
1.1. From related entities (due to)	0	0	0
- guarantees and sureties received	0	0	0
1.2. From other parties under	9,391	9,435	9,400
- guarantees and sureties received	9,391	9,435	9,400
2. Contingent liabilities	**59,567**	**63,390**	**97,139**
1.1. Due to related parties under	51,832	54,373	59,224
- guarantees and securities granted	51,832	54,373	59,224
1.2. Due to other parties under	7,735	9,017	37,915
- guarantees and securities granted	6,725	6,922	18,023
- letters of credit	1,010	2,095	19,892
3. Other (under)	**0**	**0**	**0**
Total off-balance sheet items	**68,958**	**72,825**	**106,539**

Guarantees and sureties granted

As of 31 March 2017, the value of guarantees and sureties granted amounted to PLN 59,567 thousand, including:

towards other entities

Bank guarantees for a total amount of (USD 368 thousand) PLN 1,452 thousand,
Bank guarantees for a total amount of (USD 538 thousand) PLN 2,273 thousand,
Bank guarantees for a total amount of PLN 3,000 thousand;
Letters of credit due to supplies of goods for the total amount of (USD 501 thousand) PLN 1,010 thousand.

towards related parties

Bank guarantees for a total amount of (EUR 12,200 thousand) PLN 51,482 thousand.
Surety agreements in the amount of PLN 350 thousand.

These Interim Condensed Consolidated Financial Statements were approved by the Management Board of ACTION S.A. in restructuring on 30 May 2017.

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

Warsaw, 30 May 2017