CONSOLIDATED QUARTERLY REPORT FOR Q3 2017 OF ACTION S.A. IN RESTRUCTURING

27 NOVEMBER 2017

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Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

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

These interim condensed consolidated financial statements and the comparative data have been drawn up to 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 at 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 Capital Group of ACTION S.A. in restructuring for the period ended on 30 September 2017 include: the consolidated statement of comprehensive income, consolidated statement of financial position, statement of changes in consolidated equity, consolidated cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

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(Journal of Laws of 2016, item 860), the Management Board of ACTION S.A. in restructuring hereby declares as follows:

- 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 the 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 companies of the Group, excluding ACTION S.A. in restructuring, ACTION EUROPE GmbH, LAPADO Handelsgesellschaft GmbH and ACTION (GUANGZHOU) TRADING CO., LTD kept their accounting books in compliance with the accounting policy (principles) laid down by the Accounting Act of 29 September 1994 and the regulations issued based on the Act. 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. Since 1 January 2010, ACTION S.A. has been keeping its books in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, published and in force as at 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. ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH keep their accounting books in accordance with German accounting laws. ACTION (GUANGZHOU) TRADING CO., LTD keeps its accounting books in accordance with the requirements of Chinese balance sheet laws.

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

Warsaw, 27 November 2017

II. Interim Condensed Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards for the period from 1 January 2017 to 30 September 2017

Selected consolidated financial data

Selected consolidated financial data	in PLN thousand		in thousand EUR	
	3 quarters cumulative period from 01/01/2017 to 30/09/2017	3 quarters cumulative period from 01/01/2016 to 30/09/2016	3 quarters cumulative period from 01/01/2017 to 30/09/2017	3 quarters cumulative period from 01/01/2016 to 30/09/2016
I. Net revenues from sales of products, goods and materials	1,202,826	2,560,813	282,579	586,159
II. Gross profit/loss on sale	84,926	162,585	19,952	37,215
III. Profit/loss on operating activities	-46,269	-13,918	-10,870	-3,186
IV. Net profit/loss attributable to the Company's shareholders	-48,972	-15,263	-11,505	-3,494
V. Net operating cash flows	42,666	8,051	10,023	1,843
VI. Net cash flow from investing activities	931	-3,442	219	-788
VII. Net cash flow from financing activities	-111,379	19,228	-26,166	4,401
VIII. Net increases (decreases) in cash	-67,782	23,837	-15,924	5,456
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-2.89	-0.90	-0.68	-0.21
	As at 30/09/2017	**As at 31/12/2016**	**As at 30/09/2017**	**As at 31/12/2016**
X. Total assets	676,117	835,534	156,904	188,864
XI. Amounts payable	545,890	658,807	126,683	148,917
XII. Long-term liabilities	8,401	19,571	1,950	4,424
XIII. Shot-term liabilities	537,489	639,236	124,733	144,493
XIV. Equity attributable to the Company's shareholders	136,957	182,644	31,783	41,285
XV. Initial capital	1,696	1,696	394	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)	8.08	10.77	1.87	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 at the last day of the period
1 January 2017 - 30 September 2017	4.2566	4.1737	4.3308	4.3091
1 January 2016 - 31 December 2016	4.3757	4.2684	4.4405	4.4240
1 January 2016 - 30 September 2016	4.3688	4.2684	4.4405	4.3120

*) 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 the share capital attributed to Company's shareholders and the number of shares.

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

- items concerning the Consolidated Statement of Comprehensive Income and the Cash Flow Statement were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month, the exchange rate for 3 quarters of 2017 stood at EUR 1 = PLN 4.2566, for 3 quarters of 2016 – EUR 1 = PLN 4.3688;

- 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 at the balance sheet date; as at 30 September 2017, this exchange rate stood at: EUR 1 = 4.3091 PLN, as at 31 December 2016: EUR 1 = 4.4240 PLN, and as at 30 September 2016:
EUR 1 = PLN 4.3120.

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Consolidated statement of comprehensive income

All revenues and costs relate to continuing activities.

	Note	3 quarters, cumulative period from 01/01/2017 to 30/09/2017	Q3 period from 01/07/2017 to 30/09/2017	3 quarters cumulative period from 01/01/2016 to 30/09/2016	Q3 period from 01/07/2016 to 30/09/2016
Revenues on sales	(5.2)	1,202,826,	408,003,	2,560,813,	665,653,
Costs of products, goods and materials sold	(5.3)	-1,117,900,	-380,024,	-2,398,228,	-629,612,
Gross profit from sales		**84,926,**	**27,979,**	**162,585,**	**36,041,**
Selling and marketing expenses	(5.3, 5.4)	-98,913,	-30,086,	-145,688,	-41,609,
General and administrative expenses	(5.3, 5.4)	-23,171,	-6,951,	-25,645,	-8,474,
Other operating revenue and profits	(5.5)	3,701,	1,595,	2,411,	52,
Other costs and losses	(5.6)	-12,812,	2,109,	-7,581,	-3,762,
Profit/loss on operating activities		**-46,269,**	**-5,354,**	**-13,918,**	**-17,752,**
Financial expenses	(5.7)	-3,492,	-442,	-5,740,	-1,076,
Profit/loss before tax		**-49,761,**	**-5,796,**	**-19,658,**	**-18,828,**
Income tax	(5.8)	-226,	182,	1,843,	2,605,
Share in net profit/loss of an associate		-32,	39,	-226,	-35,
Net profit/loss for the financial period		**-50,019,**	**-5,575,**	**-18,041,**	**-16,258,**
Other items of comprehensive income					
Net movement due to cash flow hedges		-964	-1,099	-2,286,	687
Income tax		183	208	434,	-131
Other items		-132	-158	56,	2
Other items of net comprehensive income		**-913**	**-1,049**	**-1,796,**	**558**
Comprehensive income for the period		**-50,932**	**-6,624**	**-19,837**	**-50 932**
Profit/loss net attributed to:					
the Company's shareholders		**-48,972**	**-5,483**	**-15,263,**	**-15,471**
non-controlling interest		-1,047	-92	-2,778,	-787
Comprehensive income attributable to:					
Company's shareholders		**-49,885**	**-6,532**	**-17,059,**	**-14,913**
non-controlling interest		-1,047	-92	-2,778,	-787
Profit/loss attributable to the Company's shareholders per ordinary share (expressed in PLN per share):					
Basic		-2.89	-0.32	-0.90	-0.91
Diluted		-2.89	-0.32	-0.90	-0.91
Number of shares		**16,957,000**	**16,957,000**	**16,957,000**	**16,957,000**
Diluted number of shares		**16,957,000**	**16,957,000**	**16,957,000**	**16,957,000**

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

Warsaw, 27 November 2017

The number of shares comprises 11,910,000 series A shares, 4,500 000 series B shares and 547,000 series C shares.
Profit per share is 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 series A 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 Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Consolidated report on financial condition

	Note	30/09/2017	31/12/2016	30/09/2016
ASSETS				
Fixed assets				
Tangible fixed assets	(5.9)	166,130	173,065	175,185
Goodwill		2,336	2,336	17,500
Other intangible assets		10,237	10,989	11,946
Investment real property	(5.10)	3,545	3,545	3,545
Financial assets		324	324	324
Shares in associates measured using the equity method		0	0	2,207
Deferred income tax assets	(5.8)	1,564	1,580	130
Trade and other receivables		365	950	887
		184,501	**192,789**	**211,724**
Current assets				
Inventory	(5.11)	175,483	178,652	310,319
Trade and other receivables		231,050	304,463	327,628
Receivables from current income tax		0	6,067	5,130
Derivative financial instruments		92	306	0
Other financial assets		216	700	1,859
Cash and cash equivalents		84,775	152,557	61,900
		491,616	**642,745**	**706,836**
Total assets		**676,117**	**835,534**	**918,560**
EQUITY				
Equity attributable to the Company's shareholders				
Share capital		1,696	1,696	1,696
Share premium surplus		62,231	62,231	62,231
Other reserve capital		30,000	30,000	30,000
Retained profit		44,248	89,022	233,512
Currency translation differences on foreign operations		-260	-128	-127
Other equity items		-958	-177	-188
		136,957	**182,644**	**327,124**
Non-controlling interest		**-6,730**	**-5,917**	**-4,283**
Total equity		**130,227**	**176,727**	**322,841**
LIABILITIES				
Long-term liabilities				
Loans, borrowings and other liabilities due to financing	(5.13)	8,360	19,540	122,898
Trade and other liabilities		0	0	0
Deferred income tax provisions	(5.8)	41	31	3,202
		8,401	**19,571**	**126,100**
Short-term liabilities				
Trade and other liabilities		379,502	383,958	316,976
Loans, borrowings and other liabilities due to financing	(5.13)	156,437	253,715	150,931
Current income tax liabilities		0	91	5
Employee benefits liabilities		1,550	1,472	1,707
Derivative financial instruments		0	0	0
Provisions for other liabilities and charges		0	0	0
		537,489	**639,236**	**469,619**
Total liabilities		**545,890**	**658,807**	**595,719**
Total liabilities		**676,117**	**835,534**	**918,560**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Statement of Changes in Consolidated Equity

	Equity attributed to the shareholders of the parent						Equity attributed to non-controlling interest	Total equity
	Share capital	**Share premium surplus**	**Retained profit**	**Other reserve capital**	**Capital from cash flow hedge valuation**	**Foreign exchange differences on translation of a foreign undertaking**		
As at 1 January 2017	**1,696**	**62,231**	**89,022**	**30,000**	**-177**	**-128**	**-5,917**	**176,727**
Total comprehensive income			-48,972		-781	-132	-1,047	**-50,932**
Dividend paid								
Other			4,198				234	**4,432**
As at 30 September 2017	**1,696**	**62,231**	**44,248**	**30,000**	**-958**	**-260**	**-6,730**	**130,227**
As at 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**
Declared dividend			-16,957					**-16,957**
Other	35	4,119	1	-4,164			-114	**-123**
As at 31 December 2016	**1,696**	**62,231**	**89,022**	**30,000**	**-177**	**-128**	**-5,917**	**176,727**
As at 1 January 2016	**1,661**	**58,112**	**265,731**	**34,164**	**1,664**	**-183**	**-1,513**	**359,636**
Total comprehensive income			-15,263		-1,852	56	-2,778	**-19,837**
Declared dividend			-16,957					**-16,957**
Other	35	4,119	1	-4,164			8	**-1**
As at 30 September 2016	**1,696**	**62,231**	**233,512**	**30,000**	**-188**	**-127**	**-4,283**	**322,841**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Consolidated cash flow statement

	Note	period from 01/01/2017 to 30/09/2017	period from 01/01/2016 to 30/09/2016
Cash flows from operating activities			
Net profit/loss attributable to the Company's shareholders		**-48,972**	**-15,263**
Adjustments for:		**91,638**	**23,314**
Income tax		-226	-1,843
Income tax paid		2,080	4,093
Amortisation/depreciation of tangible and intangible assets		7,622	8,928
Profit (loss) on investing activities		1,360	-151
Interest revenues		-1,255	-373
Interest expenses		3,492	5,740
Share in net profit/loss of an associate		32	-2,778
Other		1,835	,-3,062
Changes in working capital:			
Inventory		3,169	149,916
Trade and other receivables		80,065	307,106
Trade and other liabilities		-6,536	-444,262
Net operating cash flow		**42,666**	**8,051**
Cash flow from investing activities			
Acquisition of tangible fixed and intangible assets		-478	-2,563
Inflows from the sale of property, plant and equipment and intangible assets		182	213
Other investment inflows/outflows		1,227	-1,092
Net cash flow from investing activities		**931**	**-3,442**
Cash flow from financing activities			
Inflows from issue of shares		0	0
Acquisition of treasury shares		0	0
Inflows from issue of bonds		0	0
Credits and loans received		-107,727	29,259
Repayment of credits and loans		0	0
Dividend paid		0	0
Interest paid		-1,856	-7,071
Payments under finance lease agreements		-1,796	-2,960
Other financial inflows/outflows		0	0
Net cash flow from financing activities		**-111,379**	**19,228**
Net increases/decreases of cash		**-67,782**	**23,837**
Cash at the beginning of the period		152,557	38,063
Foreign exchange profit/loss on valuation of cash		0	0
Closing balance of cash		**84,775**	**61,900**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for three quarters of 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Notes to the condensed interim 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:	Zamienie
Address:	ul. Dawidowska 10, 05-500 Piaseczno
National Court Register (KRS) No.:	KRS 0000214038
Phone:	(+48 22) 332 16 00
Fax number:	(+48 22) 332 16 10
E-mail:	action@action.pl
Website:	www.action.pl
Statistical No. (REGON):	011909816
Tax Identification Number (NIP):	527-11-07-221

1.1.Scope of business

The business of ACTION S.A. in restructuring (Issuer/Company) and of 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).

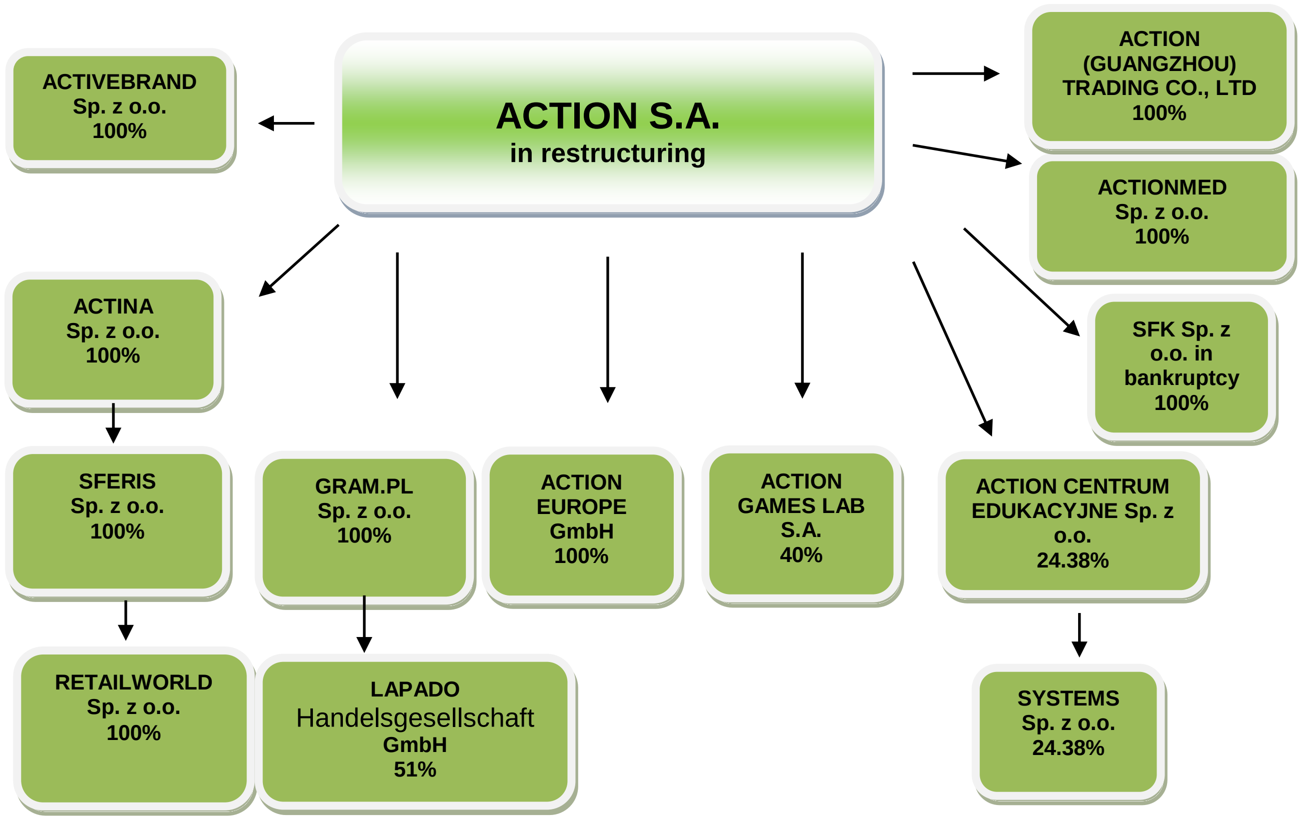
The parent company is ACTION S.A. in restructuring, with its registered office in Zamienie, ul. Dawidowska 10.
On 2 August 2004, ACTION Spółka Akcyjna in restructuring was entered in the Commercial Register of the National Court Register under KRS number 0000214038, based on a decision of the District Court in Warsaw, 19th Commercial Department of the National Court Register. The Company is currently registered in the 12th Commercial Department of the Register Court for the Capital City of Warsaw. Before that, the Issuer's legal predecessor, ACTION spółka z ograniczoną odpowiedzialnością in restructuring, was entered in the Commercial Register under KRS number 0000066230, based on a decision of the District Court in Warsaw, Commercial Department of the National Court Register, dated 28 November 2001.

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

Before that, the Issuer's legal predecessor, ACTION spółka z ograniczoną odpowiedzialnością in restructuring, was entered in the Commercial Register, based on a decision of the District Court in Warsaw, Commercial Department of the National Court Register, dated 03 July 2017.

1.2.Composition of the Group (as at 30 September 2017)

Structure of the Capital Group of ACTION S.A. in restructuring



Composition of the Group:

parent:
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 Zamienie – subsidiary (100%)
SFERIS Sp. z o.o., with its registered office in Zamienie – indirect subsidiary (99.89%)[1)]
GRAM.PL Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)[2)]
ACTION GAMES LAB S.A., with its registered office in Zamienie – subsidiary (40%)[3)]
ACTION CENTRUM EDUKACYJNE Sp. z o.o., with its registered office in Warsaw – associate (24.38%) [4)]
SYSTEMS Sp. z o.o., with its registered office in Warsaw – indirect associate (24.38%) [5)]
ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie – subsidiary (100%) [6)]
ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany) – subsidiary (100%) [7)]
RETAILWORLD Sp. z o.o., with its registered office in Stara Iwiczna – indirect subsidiary (99.89%)[8)]
LAPADO Handelsgesellschaft GmbH, with its registered office in Potsdam (Germany) – indirect subsidiary (51%) [9)]
ACTIONMED Sp. z o.o., with its registered office in Zamienie – subsidiary (100%)[10)]

ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China) - subsidiary (100%) [11)]

[1)] SFERIS Sp. z o.o., with its registered office in Zamienie, was consolidated as of 5 January 2007.
[2)] GRAM.PL Sp. z o.o., with its registered office in Zamienie, was consolidated as at 28 May 2009, and on 18 December 2009 the share was increased to 80%. On 24 May 2010, the share was raised to 100% by way of an interest purchase agreement.
[3)] ACTION GAMES LAB S.A., with its registered office in Zamienie, was incorporated and consolidated as at 12 December 2011.
[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 – the company was consolidated as of 1 October 2012.
[6)] ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie, was incorporated on 3 September 2012.
[7]) ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany), was consolidated as of 8 July 2013. On 1 April 2014, by way of a purchase of non-controlling interests (33.33%), the share of ACTION S.A. was increased to 100%.
[8)] RETAILWORLD Sp. z o.o., with its registered office in Stara Iwiczna, was consolidated as of 18 November 2013.
[9]) LAPADO Handelsgesellschaft GmbH, with its registered office in Potsdam (Germany), was consolidated as of 1 January 2014.
[10)] ACTIONMED Sp. z o.o., with its registered office in Zamienie, was consolidated as of 19 December 2014.
[11)] ACTION (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:

On 21 June 2017, the Company sold 51% of its interest (vested with the same number of votes at the shareholders' meeting) in ACTION INNOVATIVE SOLUTIONS Sp. z o.o. ACTION INNOVATIVE SOLUTIONS Sp. z o.o. was excluded from consolidation as at 30 June 2017.

ACTINA Sp. z o.o. acquired non-controlling interest of SFERIS Sp. z o.o. and became the sole shareholder of that company. The transaction value amounted to PLN 28 thousand.

Third-party interest in subsidiaries:
1. LAPADO Handelsgesellschaft GmbH – 49% interest held by Jacek Mońko
2. ACTION GAMES LAB S.A. – 60% of shares carrying rights to 75% of votes at the shareholders' meeting are held by Piotr Bieliński

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. 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, the company engages in the production of computer games. The main business profiles of ACTION CENTRUM EDUKACYJNE Sp. z o.o. and SYSTEMS Sp. z o.o. are training and IT services, and the rental of computer hardware. 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 items. RETAILWORLD Sp. z o.o. suspended its activity. In January 2017, LAPADO Handelsgesellschaft GmbH filed a bankruptcy petition with the court. 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. produces and sells telecommunications equipment. ACTION (GUANGZHOU) TRADING CO., LTD has started commercial activities in the food industry in China.

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for Q3 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Subsidiaries consolidated as at 30 September 2017

Name (business name) of the entity with an indication of the legal form	Registered office	Business activity	Nature of relationship (subsidiary, jointly controlled subsidiary, associate, including details of direct and indirect relationships)	Competent court or other authority maintaining the register	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 / significant influence	Percentage of the share capital held	Share in a 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.	Zamienie	wholesale of computer hardware	direct subsidiary	District Court for the capital city Warsaw, 12th Commercial Division of the National Court Register	full	03/06/2005	100%	100%
GRAM.PL Sp. z o.o.	Zamienie	retail trade	direct subsidiary	District Court for the capital city Warsaw, 13th Commercial Division of the National Court Register	full	28/05/2009	100%	100%
SFERIS Sp. z o.o.	Zamienie	retail trade in computer hardware	indirect subsidiary	District Court for the capital city Warsaw, 13th Commercial Division of the National Court Register	full	05/01/2007	100%	100%
ACTION GAMES LAB S.A.	Zamienie	wholesale trade in computer hardware, advertising	direct subsidiary	District Court for the capital city Warsaw, 14th Commercial Division of the National Court Register	full	14/12/2011	40%	25%
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	Warsaw	training and IT services and rental of IT hardware	associate	District Court for the capital city 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 Warsaw, 13th Commercial	measurement using the equity method	12/09/2012	24.38%	24.38%

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				Division of the National Court Register				
ACTIVEBRAND Sp. z o.o.	Zamienie	advisory services in carrying out business activity	subsidiary	District Court for the capital city Warsaw, 14th Commercial Division of the National Court Register	full	3/09/2012	100%	100%
ACTION EUROPE GmbH	Braunschweig (Germany)	wholesale of computer hardware	subsidiary	District Court in Braunschweig (Amtsgericht Braunschweig)	full	08/07/2013	100%	100%
RETAILWORLD Sp. z o.o.	Stara Iwiczna	wholesale of computer hardware	indirect subsidiary	District Court for the capital city Warsaw, 14th Commercial Division of the National Court Register	full	18/11/2013	100%	100%
LAPADO Handelsgesellschaft GmbH	Potsdam (Germany)	wholesale of 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 Warsaw, 14th Commercial Division of the National Court Register	full	19/12/2014	100%	100%
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 Capital Group of ACTION S.A. in restructuring for Q3 2017 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements prepared for the period from 1 January 2017 to 30 September 2017 contain comparative data for the period from 1 January 2016 to 30 September 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 under the historical cost convention, except for financial assets held for trading (derivatives) measured at fair value.

The Interim Condensed Consolidated Financial Statements were prepared on a going concern basis for the foreseeable future.
As at the date of approving these Interim Condensed Consolidated Financial Statements, no circumstances indicated any threats to the business continuity by the Group.

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

2.2. Going concern

The interim condensed consolidated financial statements of the Capital Group of Action S.A. in restructuring (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 at 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 Audit Office described in detail in *Note 3.4*. 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 for opening the restructuring proceedings, pursuant to the Restructuring Law Act of 15 May 2015 (Journal of Laws of 2015, item 978, as amended). On 1 August 2016, the Court issued a decision on opening restructuring 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 at the balance sheet date, take into account the status of the Company (Parent Company) undergoing restructuring proceedings, and are based on a comparative analysis of the revenues and operating costs of the Company recorded thus far as well as anticipated revenues, costs and margins. The key items of the revenues are the Group's revenues amounting to PLN 263,000 thousand per month on average in 2016, and PLN 134,000 thousand for the three quarters of 2017, and the corresponding costs of purchased goods and external services necessary for the operation of the Group of Action S.A. in restructuring, amounting to PLN 249,000 thousand per month on average in 2016 and PLN 124,000 thousand for the three quarters of 2017. These amounts depend mainly on the value of the order portfolio. Therefore, given that since the restructuring 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, assuming a further regular inflow of current receivables, the possibility that the Company might lose its financial liquidity should be ruled out.
Moreover, as at 30 September 2017, the Group has funds in the amount of PLN 84,775 thousand and current receivables of PLN 231,050 thousand, payable between 15 and 120 days, and fast-/'7/86moving trading goods worth PLN 175,483 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 restructuring 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 funds in the form of insurance coverage of receivables at the level of 90% of their value, 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 a mortgage or bank guarantees.
As a result of negotiations, the Company received new funding from Bank Pekao S.A. and continues to seek new sources of funding. On the one hand, there will be funds raised from loans, while on the other 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. 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 another new financing, be it in the form of a guarantee line or a contractual or working capital loan limit.

On 4 July 2017, the Judge Commissioner, under Article 315(1) of the Restructuring Law, approved the Restructuring Plan, submitted by the Debtor in November 2016. The approval of the Restructuring Plan resulted in the Debtor's Management Board undertaking activities related to the consolidation of the ACTION's Capital Group, i.e. the merger of ACTION S.A. in restructuring and the following subsidiaries: ACTINA Sp. z o.o., SFERIS Sp. z o.o., RETAIWORLD Sp. z o.o., GRAM.PL Sp. z o.o. In accordance with the submitted merger plan, the companies were merged by transferring all assets of the acquired companies to the acquiring company, pursuant to Article 492(1) of the Code of Commercial Companies.

On 5 October 2017, the Management Board of ACTION S.A. in restructuring received information that on 29 September 2017 a register court clerk issued a decision refusing to register the merger of ACTION S.A. in restructuring and ACTINA Sp. z o.o., SFERIS Sp. z o.o., RETAILWORLD Sp. z o.o. and GRAM.PL Sp. z o.o. On 16 October 2017, the Company filed an appeal against the above-mentioned decision of the court clerk, which was granted, and on 24 November 2017 the merger of the Issuer and the aforementioned subsidiaries was registered.

On 5 July 2017, the Company was informed that the Judge Commissioner, appointed for the restructuring proceedings regarding ACTION S.A. in restructuring, with its registered office in Warsaw, case file no. X GRs 8/16, on 4 July 2017 issued a decision, in which the Judge Commissioner made changes to the composition of the Board of Creditors. Pursuant to the above-mentioned decision, Societe Generale S.A. Branch in Poland was dismissed from the Board of Creditors, under Article 125(2) of the Restructuring Law, and PKO PB S.A., with its registered office in Warsaw, was appointed to the Board of Creditors. Societe Generale S.A. Branch in Poland was dismissed due to the fact that the Company repaid all its liabilities towards the bank as at 29 May 2017, as a result of which Societe Generale S.A. Branch in Poland ceased to be the creditor of ACTION S.A. in restructuring and the bank's further sitting on the Board of Creditors ceased to serve the interests of all creditors, as well as the economics and purposes of the restructuring proceedings.

However, we stress that the Company – already 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. As of 1 August 2016, the Company cut down on the operating costs and since then has been protected against the aggressive and economically unviable, particular enforcement on the part of individual creditors or their protective measures that might lead to cessation of the operating activities of the enterprise, causing its completely unjustified insolvency and bankruptcy. This is clearly illustrated by the analysis of the current operating costs and the cash flow forecast drawn up based on these assumptions for the next 5 years, which is included in the Restructuring Plan. Importantly, the cash flow forecast has been prepared in a variant not taking into account 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 Capital Group of Action S.A. in restructuring as at 30 September 2017, the Group entities used short-term loans in the amount of PLN 52,582 thousand, of which PLN 24,969 thousand (including PLN 14,421 thousand of investment loans) were used by Action S.A. in restructuring.
At the end of September 2017, the Company secured the financing of its activities from its own funds and as part of a loan limit granted by Bank Polska Kasa Opieki S.A. and kept after the opening of the restructuring proceedings in the amount of: PLN 10,548 thousand, which will be repaid in equal monthly instalments until 31 December 2017. The investment loan granted by Bank Polska Kasa Opieki S.A. is also repaid in equal monthly instalments. The amounts and dates agreed with the Bank are complied with.
As at the date of this report, Action Europe GmbH uses the following loan limits:

1. Granted by Deutsche Bank in the amount of EUR 3,123,800, of which:
    a. EUR 152,400 maturing on 15 January 2018;
    b. EUR 2,971,400 without a maturity date.
2. Granted by PKO BP with its registered office in Frankfurt (Germany) in the amount of EUR 976,191, of which:
    a. EUR 47,619 maturing on 15 January 2018;
    b. EUR 928,572 maturing on 15 August 2018.
3. Granted by Sachsen Bank in the amount of EUR 682,702.85, payable in monthly instalments, with the last final falling due on 15 July 2018.

As at the date of these financial statements, all of the above loans are repaid on time.

The Issuer recognised a provision for a loan granted to Lapado GmbH in liquidation on account of a surety granted in the full amount of the loan.

The Company's liabilities on account of the 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, taking advantage of the possibilities ensuing from Article 162(2) RL, can offer more attractive terms to bondholders if the rules of granting financing to the Company are agreed, for instance through rolling over bonds.

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

Based on the decision of 4 January 2017, the Board of Creditors was appointed in the restructuring proceedings concerning ACTION S.A. in restructuring.

On 7 September 2017, the meeting of the Board of Creditors, called by the Chairman who notified all members of the Board of Creditors of the meeting by e-mail, was held. However, due to the fact that the member of the Board of Creditors, PKO BP S.A., had not been notified within the time provided for by the Regulations, the session was adjourned.

After the adjournment, the session was resumed by the Chairman of the Board, and by electronic ballot the Board of Creditors approved the Company's request for the conclusion of an annex with PKO BP S.A. regarding the decrease of the collateral established for the benefit of PKO BP S.A.; the conclusion of an annex with PKO BP S.A. regarding the decrease of the collateral established for the benefit of PKO BP S.A. under the Agreement of 25 July 2014 for Registered Pledge on a Group of Movables of Specified Type; the conclusion of an annex with PKO BP S.A. regarding the decrease of the collateral established for the benefit of PKO BP S.A. under the Debt Assignment Agreement of 25 July 2014. Based on the resolutions adopted, the collaterals established on the Company's assets, considering the current liabilities towards PKO BP S.A., were decreased. At the voting, the Board also agreed to the increase of the share capital in a subsidiary, ACTION EUROPE GmbH, from the loan of EUR 1,000,000 granted by the Company, and to the conclusion of a lease agreement of office space belonging to ACTION S.A. in restructuring.

In the Company's opinion, following the submission of the Restructuring Plan, there were no events which would put its implementation in jeopardy. The financial results and the change of approach to suppliers and banks corroborate the assumptions and increase the chances of the restructuring being successful. The Restructuring Plan is also based on the assumption that the Company would continue as a going concern for at least the next 12 months without significant limitations to the scope of its business.

The assumption that the Company would continue as a going concern is also confirmed by the expected dates of implementation of individual stages of the restructuring proceedings related to the current situation of the Company and already completed measures as part of these proceedings. The legally required obligations concerning the preparation of restructuring documentation have been or are being fulfilled in accordance with the applicable deadlines. In the course of the proceedings, in addition to the restructuring plan, the following documents were prepared: inventory of the assets to be restructured (in accordance with Article 296 RL); list of claims and list of disputed claims (in accordance with Articles 76–87 of the Restructuring Law); periodic reports on activities and accounting reports of the Administrator (in accordance with Articles 31 and 32 RL).

The accounting reports of the Administrator confirm that the Company's liabilities arising after the opening of the restructuring proceedings are settled on a regular basis.

From the beginning of the remedial proceedings to the moment the statements were prepared, to the knowledge of the Management Board, the Company was served 23 objections, to which it replied, and examined five of the objections submitted, of which two were rejected by the Judge Commissioner. The third objection and the request for a change of the list of claims concerned the amount PLN 0 as a claim contingent upon a condition under an agreement for the assignment of claims. The said objection was partially acknowledged by the court, and partially rejected. Considering that the objection did not concern a claim receivable, the total sum of the list of receivables did not change.
The Judge Commissioner decided to partially acknowledge and partially dismiss the fourth objection. The objection concerned a claim included in the list as due to another creditor, and as a result the total sum of the list of claims did not change.
The fourth objection concerned recognising a claim included in the list of disputed claims as vested with a voting right. The Judge Commissioner decided to partially acknowledge and partially dismiss the fifth objection. The creditor filed an appeal against that decision and challenged it partially.

Given that an appeal may be filed against a decision concerning an objection (Article 95(5) RL), the court's decision in the above cases are not legally binding. Furthermore, because an appeal may be filed, the Company estimates that the list of claims will probably be approved not earlier than in the fourth quarter of this year or in the first quarter of 2018.

The next stage of the restructuring proceedings will be the voting on the composition, which will take place – in accordance with Article 321(2) RL – after the approval of the list of claims. Considering the number of creditors (over 1,600) and the need to adjust the procedure of voting on the composition accordingly, the voting is expected to take place in the first half of 2018 at the earliest. Pursuant to Article 110(1) RL creditors vote at the creditors' meeting in writing, and the description of the course and result of the voting is included in the protocol. A creditor who appeared at the creditors' meeting in person may cast a vote orally to be included in the minutes. The Company indicates, that considering the scale of its operations, due to the opening of the remedial proceedings, over 1,600 creditors were subject to registration. Voting at the meeting may be difficult due to a large number of attendees, since neither the Administrator nor the Company has an office space or infrastructure large enough to hold such a large meeting. Due to the above-mentioned circumstances, on 6 September 2017 the Company requested the Judge Commissioner to consent, under Article 110(7) RL, to holding a vote on the composition solely by voting in writing without the need to hold the creditors' meeting. To the knowledge of the Company's Management Board, the request has not been examined yet.

It must also be stressed that the completion of the restructuring proceedings (as well as their discontinuation) requires that an appropriate decision be made on the subject matter against which a complaint may be lodged (in accordance with Articles 165(7) and 327(1) RL).

The Management Board is of the opinion that the current position of the Company and of the Capital Group gives no basis for assuming that certain events could take place before 30 September 2018 which would justify a discontinuation of the restructuring and an early termination of the restructuring period.

In consideration of the above assumptions concerning the timelines of the restructuring proceedings, the Management Board believes that there are no threats to the Company's going concern status during the next 12 months.

The Company constantly monitors all deviations from the forecast and the actual data as well as its potential impact on the figures presented in the Restructuring Plan. The arrangements made so far with most suppliers enable smooth performance of deliveries. Each day, the Company rebuilds deliveries based on a trade credit. 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 forecast for 2017-2021, included in the Restructuring Plan, was drawn up by the Company's Management Board with the assumption that the Company would continue as a going concern during the restructuring proceedings and in the course of implementation of the composition with creditors. The forecast was drawn up in two variants, i.e. conservative and pessimistic. Both variants assume that the Company may ultimately lose administrative proceedings concerning previously received administrative decisions and would be forced to settle additional tax liabilities in full, plus interest. However, the forecast was prepared for the separate data of ACTION S.A. in restructuring. The Company is going to update the forecast in the foreseeable future.

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 borrowings, loans and other financial liabilities estimated at PLN 8,260 thousand;
2) short-term borrowings, loans and other financial liabilities estimated at PLN 127,694 thousand;
3) trade liabilities estimated at PLN 264,564 thousand and liabilities resulting from imposed penalties estimated at PLN 75,329 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. the repayment of creditors, will be achieved by significantly reducing stock levels (sell off of inventories) and increasing liquidity between 2017 and 2021.

The Management Board also emphasises increasing the margin on sales and the sales volume. Money raised this way will be used to gradually repay liabilities between 2018 and 2020.

Despite net losses incurred in 2016-2017 in the conservative forecast and in 2016-2018 in the pessimistic forecast, the forecast cash flows (cash inflows) will be sufficient to allow 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's cash in hand and in bank 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 forecast 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 forecast: 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.'s equity at the end of Q3 2017 was PLN 160,992 thousand. The difference between the actual value and the forecast value largely results from the creation of provisions and write-downs in 2016 and 2017. It must be emphasized that the recognised provisions and write-downs do not have a material impact on the Company's liquidity.

According to the Management Board, the Company's going concern status under the above assumptions could be threatened by circumstances preventing the Company from implementing the restructuring plan, such the risks identified therein (substantially equivalent to the risks to the Company's business in general). The Company is of the opinion that, as at the date of these statements, there were no circumstances which could substantiate such risks.

The Management Board of ACTION S.A. in restructuring announces that if the going concern assumptions turn out to be unfounded, the prepared consolidated financial statements would have to include adjustments concerning different principles of measurement and classification of assets and liabilities which could be necessary if the parent company was 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 that are essential for the preparation of financial forecasts will be achieved – and 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 30 September 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 at 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 policies applied to prepare these Interim Condensed Consolidated Financial Statements for the third quarter of 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. A detailed description of the accounting principles adopted by the Capital Group of ACTION S.A. in restructuring is presented in the annual consolidated financial statements for 2016, published on 25 April 2017.

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 zlotys (PLN). Unless indicated otherwise, all figures are stated in thousands of PLN.

Principles applied to conversion of financial data

The financial data in the financial statements of ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH presented in EUR have been translated in accordance with the following method:
– individual items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland in force as at the balance sheet date; as at 30 September 2017, this exchange rate stood at: EUR 1 = PLN 4.3091, as at 31 December 2016: EUR 1 = PLN 4.4240 and as at 30 September 2016: EUR 1 = PLN 4.3120;

− 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 three quarters of 2017, the exchange rate stood at: EUR 1 = PLN 4.2566; for three quarters of 2016: EUR 1 = PLN 4.3688.

The financial data in the financial statements of ACTION (GUANGZHOU) TRADING CO., LTD expressed in CNY were converted as follows:
– individual items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland in force as at the balance sheet date; as at 30 September 2017, this exchange rate stood at: CNY 1 = PLN 0.5495, as at 31 December 2016: CNY 1 = PLN 0.6015 and as at 30 September 2016: CNY 1 = PLN 0.5847;

− 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 three quarters of 2017, the exchange rate stood at: CNY 1 = PLN 0.5600; for three quarters of 2016: EUR 1 = PLN 0.5847.

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 the changes in factors taken into consideration in order to make the said estimates, new data or past experience. Therefore, the estimates made as at 30 September 2017 may be subject to adjustments in the future.
Areas the estimates for which made as at 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 are presented hereinbelow.

3.1.Use periods of tangible fixed assets and intangible assets

As at 30 September 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 at 30 September 2017, the companies from the Group estimated 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.Write-down of inventory

The Group estimated the write-down on inventories to the net realisable selling prices on the basis of the analysis of margins on goods sold in the month immediately preceding the balance sheet date and the mark-up on selling expenses. A write-down on slow-moving inventory was also estimated.

3.4.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 the selected months from the years 2008 - 2015.

In connection with one of the inspections regarding VAT for 2008, there is a litigation concerning the decision, in respect of which the amount of the dispute totals PLN 6,352 thousand. The Company recognised a provision for claims resulting from the above-mentioned decisions of the Tax Audit Office 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 Audit Office in full.

On 22 June 2016, the Company received a decision of the Head of the Tax Office in Olsztyn concerning an inspection of the accuracy of the declared tax base and the correctness of VAT calculated and paid for individual settlement periods from July 2011 to January 2012.
Based on the decision of the Head of the Tax Office in Olsztyn of 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 interest, that 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). On 7 December 2016, the Company filed a complaint against that decision with the Voivodeship Administrative Court. By the preparation date of this report, the complaint was not examined.
On 20 July 2016, the Company received a decision of the Head of the Tax Office in Warsaw concerning an inspection of the accuracy of the declared tax base and the correctness of VAT calculated and paid for January and February 2013.
Based on the decision of the Head of the Tax Office in Warsaw of 29 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 36,989 thousand (with late payment interest, that amount is PLN 36,639 thousand). (with late payment interest, that 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 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 to the State Treasury more than PLN 500 million and more than PLN 100 million worth of VAT and CIT respectively.
The Company is of the opinion that, in any case, it may not be made liable for any third-party tax irregularities for which it bears no fault.
In connection with the above decisions, the company created provisions in the full amount of the disputed amounts plus interest.

Other proceedings remain pending. In July 2017, the Company received two inspection reports in which the tax authorities question a VAT deduction totalling PLN 9,224 thousand. At this stage, the final outcome of the inspection cannot be foreseen. Having received the reports, the Company recognised in the result provisions for the amount of the questioned VAT without interest because such interest cannot be estimated. In the inspection process, there were very long periods when no inspection activities were taking place.
The Company has always exercised the utmost diligence in concluding transactions, remained cautious in establishing cooperation and acted in good faith in accordance with the procedures adopted by the

Company and the highest standards of cooperation. Therefore, in the opinion of the Management Board, the probability that the ongoing inspections will yield a negative final outcome remains low.

Considering the settlement periods covered by the inspections and Article 150(1)(1) of the Restructuring Law Act, any amounts due which may arise as a result of the inspections are subject to composition by virtue of the law. It is not possible to estimate the amount of potential liabilities from the ongoing inspections.

At the Issuer's subsidiary, SFK Sp. z o.o. in bankruptcy, with its registered office in Kraków, four out of five tax inspections were successfully completed. The Company submitted information on the course of those inspections regarding VAT for the period from June to September 2015 in current reports no. 15, 23 and 78/2017. Decisions previously issued in the above-mentioned inspections, and then revoked, determined tax obligations and questioned the right of SFK Sp. z o.o. in bankruptcy to deduct value added tax for the period from June to September 2015 totalling PLN 2,766 thousand. There is another inspection being carried out with respect to the aforementioned subsidiary, and also in its course a decision of the first instance body was revoked. The Issuer is expecting that this inspection will be completed in the foreseeable future. A decision previously issued during the fifth inspection of SFK, and then revoked, determined a tax obligation and questioned the VAT amounts deducted by SFK Sp. z o.o. in bankruptcy for the period from September 2014 to May 2015 totalling PLN 9,128 thousand. The Issuer submitted information on that inspection in current reports no. 15, 23 and 53/2017.

3.5.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 the long-term nature, the liability on account of retirement and disability benefits are sensitive to changes in their underlying assumptions. All the assumptions are verified as at the balance-sheet day.

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

As at each balance sheet date, the Group measures after sale discounts due from suppliers though not provided as at 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.

3.7.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 an assessment of the threat of non-recoverability of overdue receivables.

4. Information about operating segments

Since 1 January 2010, the Capital Group of ACTION S.A. in restructuring has been obliged to present its results in the form defined in IFRS 8 *Operating Segments*.
This standard defines the segment as a part of an entity:
- which engages in business activities that allow to make revenues and incur costs;
- whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment;
- for which separate financial information is available.

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According to the definitions included in IFRS 8, the Group's business is based on the distribution of IT products, including: ready-to-use solutions, consumer electronics and components, and is presented in these statements in a single operating segment because:
- Sales revenues earned from that business exceed in total 94% of the revenues generated by the Capital Group;
- No separate financial information for individual sales channels is prepared, considering the industry-specific collaboration with suppliers whose products are distributed through all sales channels;
- In the absence of separate segments, i.e. there is no separate financial information for individual product groups, and operating decisions are made based on a number of detailed analyses and financial results from the sale of all products in all distribution channels;
- The Management Board of ACTION S.A. in restructuring, the 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 forecast 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. Revenues and expenses

5.1. Seasonal nature of sales

The Group records the highest sales in the fourth quarter of the financial year, i.e. between October and December. In other quarters, sales remain at a similar level. This does not, however, mean significant seasonal or cyclical nature of sales revenues.

5.2. Revenues on sales

The entire sales revenues are related to the sale of computer hardware, white goods, and IT accessories.

	For the period 1/01/2017 – 30/09/2017	**For the period 01/01/2016 – 30/09/2016**
Revenues from sale of products (services)	15,866	46,322
Revenues from sale of goods and materials	1,186,960	2,514,491
	1,202,826	**2,560,813**

5.3. Costs by type

	For the period 1/01/2017 – 30/09/2017	**For the period 01/01/2016 – 30/09/2016**
Amortisation/depreciation of tangible and intangible assets	7,622	8,928
Costs of employee benefits	50,091	59,725
Materials and energy consumption	5,076	6,331
Outsourced services	47,046	61,506
Taxes and fees	2,008	2,479
Advertising expenses	8,269	29,929
Life and non-life (property) insurance	576	703
Other costs by type	1,397	1,732

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Costs of products, goods and materials sold, of which:	1,117,900	2,398,228
- write-down on inventories	6,920	-705
Total costs of products, goods and materials sold, costs of sales and marketing as well as general and administrative expenses	**1,239,984**	**2,569,561**

5.4.Costs of employee benefits

	For the period 1/01/2017 – 30/09/2017	For the period 01/01/2016 – 30/09/2016
Payroll	42,500	49,766
Social security and other benefits	7,591	9,959
	50,091	**59,725**

5.5.Other operating revenue and profits

	For the period 1/01/2017 – 30/09/2017	For the period 01/01/2016 – 30/09/2016
Net foreign exchange gains	1,466	65
Revenues from valuation of financial instruments	0	0
Interest revenues	1,255	373
Revenues from overdue liabilities	78	559
Revenues from damages received	313	673
Income from provisions reversed	189	0
Income from donations received	46	189
Other revenues	262	415
Profit on disposal of non-financial financial assets	50	0
Profit on disposal of interest in a subsidiary	23	0
Profit on disposal of non-financial fixed assets	19	137
	3,701	**2,411**

5.6.Other costs and losses

	For the period 1/01/2017 – 30/09/2017	For the period 01/01/2016 – 30/09/2016
Surplus of exchange rate losses	29	50
Costs of damages paid	463	351
Costs relative to measurement of financial instruments	213	14
Costs of write-downs on receivables	700	6,629
Costs of write-offs of receivables	17	56
Trade interest expenses	144	283
Costs of court proceedings	311	0
Costs of provisions recognised	9,673	0
Costs of write-downs on financial assets	498	0
Costs of donations	0	2

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Loss on disposal of non-financial fixed assets	699	0
Other expenses	65	196
	12,812	**7,581**

5.7.Financial expenses

	For the period 1/01/2017 – 30/09/2017	For the period 01/01/2016 – 30/09/2016
Interest on credits and loans	1,729	2,244
Interest on leases	127	186
Interest and discount on factoring	0	1,712
Interest on bonds	1,636	1,598
	3,492	**5,740**

5.8.Income tax

	For the period 1/01/2017 – 30/09/2017	For the period 01/01/2016 – 30/09/2016
Current tax	17	1,224
Deferred income tax	209	-3,067
	226	**-1,843**

Deferred income tax

Presented below is the deferred income tax subject to offsetting:

	30/09/2017	31/12/2016
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	6,223	11,251
	6,223	**11,251**
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	4,700	9,702
	4,700	**9,702**
Deferred income tax assets	**1,564**	**1,580**
Deferred income tax provisions	**41**	**31**
Deferred income tax assets/provisions (on balance)	**1,523**	**1,549**

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

	30/09/2017	31/12/2016
At the beginning of the period	**1,549**	**-6,573**
Increase/decrease of financial result	-209	7,690

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Increase/decrease of equity	183	432
At the end of the period	**1,523**	**1,549**

5.9.Tangible fixed assets

During the period covered by the report the Group incurred capital expenditures of PLN 478 thousand.

5.10.Investment real property

Investment real property of 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 constituting investment real property is PLN 0.

As at 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.Inventory

	30/09/2017	31/12/2016	30/09/2016
Materials	0	0	0
Goods	177,997	188,085	314,002
Prepayments for deliveries	0	0	0
	177,997	**188,085**	**314,002**
Write-downs on inventories	-2,514	-9,433	-3,683
Inventory	**175,483**	**178,652**	**310,319**

Write-downs on inventories

	30/09/2017	31/12/2016	30/09/2016
Opening write-down on inventories	**-9,433**	**-2,978**	**-2,978**
Created (Costs of products, goods and materials sold)	-287	-6,455	-705
Utilised	6,783	0	0
Released (Costs of products, goods and materials sold)	423	0	0
Closing write-down on inventories	**-2,514**	**-9,433**	**-3,683**

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The impairment write-down was utilised following the revaluation of trading goods based on inventory ageing.
The Group did not hold any inventory measured at the net sale price as at 30 September 2017 and 31 December 2016.

5.12.Write-downs on trade and other receivables

	30/09/2017	31/12/2016	30/09/2016
Opening write-downs on receivables	**-15,950**	**-15,265**	**-15,265**
Created	-735	-5,183	-6,673
Utilised	148	4,047	4,052
Reversed	35	451	44
Closing write-downs on receivables	**-16,502**	**-15,950**	**-17,842**

5.13.Loans, borrowings and other liabilities due to financing

	30/09/2017	31/12/2016	30/09/2016
Long-term			
Investment credit	2,884	11,996	14,879
Lease liabilities	5,476	7,544	8,019
Loans	0	0	0
Bond liabilities	0	0	100,000
	8,360	**19,540**	**122,898**
Short-term			
Overdraft and investment loan	49,698	148,313	146,811
Lease liabilities	2,539	2,829	3,120
Loans	1,000	1,000	1,000
Bond liabilities	103,200	101,573	0
	156,437	**253,715**	**150,931**
Total	**164,797**	**273,255**	**273,829**

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

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	30/09/2017	31/12/2016	30/09/2016
Liabilities with the repayment period calculated from the balance sheet day			
Up to 1 year	156,437	253,715	150,931
1 to 5 years	8,360	19,540	273,829
Over 5 years	0	0	0
Total	**164,797**	**273,255**	**273,829**

Lease liabilities

	30/09/2017	31/12/2016	30/09/2016
Nominal value of minimum lease fees			
Up to 1 year	2,681	3,144	3,268
1 to 5 years	5,540	7,585	8,350
Over 5 years	0	0	0
Total finance lease liabilities – total minimum lease charges	**8,221**	**10,729**	**11,618**
Financial expenses due to finance lease	**206**	**356**	**479**
Current value of minimum lease charges			
Up to 1 year	2,539	2,947	3,012
1 to 5 years	5,476	7,426	8,127
Over 5 years	0	0	0
Total present value of minimum leasing fees	**8,015**	**10,373**	**11,139**

6. Contingent assets and liabilities

As at 30 September 2017, the Group held contingent receivables due to the repayment of receivables in the amount of PLN 10,880 thousand. Security liabilities under agreements signed as at the reporting date which are not reflected in the Group's interim consolidated condensed financial statements amounted to PLN 8,239 thousand as at 30 September 2017 and PLN 9,017 thousand as at 31 December 2016.

	30/09/2017	31/12/2016	30/09/2016
1. Contingent receivables	**10,880**	**9,435**	**9,411**
1.1. From other entities (due to)	10,880	9,435	9,411
- guarantees and sureties received	10,880	9,435	9,411
2. Contingent liabilities	**8,239**	**9,017**	**28,394**
1.1. For other entities (due to)	8,239	9,017	28,394
- guarantees and securities granted	8,239	6,922	18,029
- letters of credit	0	2,095	10,365
3. Other (due to)	**0**	**0**	**0**
Total off-balance sheet items	**19,119**	**18,452**	**37,805**

7. Events after the balance sheet date

In October 2017, SFK Sp. z o.o. in bankruptcy (Issuer's subsidiary) received four results of the inspections, issued on 27 October 2017 by the Head of the Małopolskie Customs and Tax Office in Kraków, regarding the declared tax bases and correctness of calculation and payment of the value added tax by SFK Sp. z o.o. in bankruptcy for the months: June through September 2015.
In accordance with the above-mentioned documents, the Head of the Małopolskie Customs and Tax Office in Kraków found that, in light of the evidence collected, there is no basis to issue assessment decisions and the inspections should be concluded with inspection results.
Decisions previously issued in the matter at hand, and then revoked, determined tax obligations and questioned the right of SFK Sp. z o.o. in bankruptcy to deduct value added tax for the period from June to September 2015 totalling PLN 2.766.008 thousand

On 13 November 2017, the Administrator of ACTION S.A. in restructuring filed with the District Court for the Capital City of Warsaw, 10th Commercial Division for Liquidation and Restructuring, a supplementary list of claims. The total of all claims presented in the supplementary list of claims is PLN 1,863,215.95. It was necessary to file the relevant documents due to the occurrence of events which justified the submission of a supplementary list of claims; the list included, inter alia, claims of bondholders in the form of interest for the 4th interest period in respect of bonds issued by the Company of the amount of PLN 1,591,800, which, according to the position of the Management Board and the Administrator, presented in current report no. 45/2016, cannot be settled before the completion of the remedial proceedings.

The Management Board of Action S.A. in restructuring, considering the current stage of the remedial proceedings of the Company and implementing the assumptions of the Restructuring Plan, commenced to prepare data and information to justify the proposals of the restructuring of financial liabilities of ACTION S.A. in restructuring in order to present them to the Creditors.
As part of the aforementioned activities, the Company is going to prepare and present additional data and information concerning composition proposals, as well as hold talks with the Company's Creditors to conclude an agreement facilitating the acceptance of the composition.
In order to ensure proper implementation of the above-mentioned activities, the Company initiated cooperation with renowned advisers of Ernst & Young spółka z ograniczoną odpowiedzialnością Corporate Finance sp.k. and Ernst & Young Law Tałasiewicz, Zakrzewska i Wspólnicy sp.k. The advisers will not act on behalf of the Company.

On 12 October 2017, the Company's Supervisory Board adopted a resolution on the dismissal of Mr Edward Wojtysiak, Vice-President of the Management Board, from the Management Board as at 12 October 2017.

On 24 November 2017, the District Court for the Capital City of Warsaw, 14th Division of the National Court Register, registered in the National Court Register the merger of ACTION S.A. in restructuring (the acquiring company) and the following subsidiaries:

1. ACTINA Spółka z ograniczoną odpowiedzialnością, with its registered office in Zamienie (KRS: 0000179289);
2. SFERIS Spółka z ograniczoną odpowiedzialnością, with its registered office in Zamienie (KRS: 0000129210);
3. RETAILWORLD Spółka z ograniczoną odpowiedzialnością, with its registered office in Stara Iwiczna (KRS: 0000486164);
4. GRAM.PL Spółka z ograniczoną odpowiedzialnością, with its registered office in Zamienie (KRS: 0000296020)

- (the acquired companies).

The companies were merged pursuant to Article 492(1)(1) of the Code of Commercial Companies (merger by acquisition) by transferring all assets of the acquired companies to the Issuer. Due to the fact that the acquiring company possesses (directly and indirectly) all shares of the acquired companies, the merger was effected pursuant to Article 515(1) of the Code of Commercial Companies, without the increase of the share capital of the acquiring company.

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Under Article 494(1) of the Code of Commercial Companies, on 24 November 2017 (merger day), ACTION S.A. in restructuring acquired all rights and obligations of ACTINA Sp. z o.o., SFERIS Sp. z o.o., RETAILWORLD Sp. z o.o. and GRAM.PL Sp. z o.o.

III. Other quarterly financial information

1. Description of the Issuer's significant achievements and failures in the period covered by the statements together with a list of the most important events relating thereto

	Q3 2017	Q3 2016
Net sales	**408,003**	**665,653**
Gross profit from sales	**27,979**	**36,041**
gross margin	*6.9%*	*5.4%*
EBIT	**-5,354**	**-17,752**
EBIT margin	*-1.3%*	*-2.7%*
Net profit	**-5,483**	**-15,471**
net margin	*1.3%*	*-2.3%*

In Q3 2017, the Group generated sales revenues amounting to PLN 408,003, down by 39% compared to the sales in the same period a year earlier.
In that period, the Group made a sales profit of PLN 27,979 thousand and an operating loss of PLN 5,354 thousand. The net loss of the Capital Group of ACTION S.A. in restructuring in Q3 2017 amounted to PLN 5,483 thousand. The Group generated a gross sales margin of 6.9%, i.e. by 1.5 p.p. higher than in the same period a year earlier.

In the opinion of the Management Board of ACTION S.A. in restructuring, the results for Q3 2017 were affected mainly by the ongoing restructuring and the associated limitation of the ability to borrow. Other factors include a very difficult and demanding market environment as well as the absence of a breakthrough in the industry.

A positive effect of the strategy of the management of the Group was the gross margin of PLN 84,926 generated in 2017 and increase of the gross margin by 0.7 p.p., compared to the same period of the previous year.

By the end of 2017, it is still expected that:
- the costs resulting from optimization of the processes taking place in the Group will be reduced,
- the demand for the goods as estimated by the Group's entities, mainly in connection with the increased demand in the winter period, will be increased,
- new business partners and products to meet the current demand will be found,
- the number of customers will increase and the retail channel will be developed,

- ACTION EUROPE GmbH will reach a stable position on the German market.

2. Description of factors and events, especially unusual ones, having a material effect on the financial results

The most important factors to affect the results achieved in Q3 2017, as in the previous periods of 2017, were the results of the pending restructuring proceedings and related limitations:

- total reduction of loan limits for the Group's entities by loan insurers,

- no guarantee limits for suppliers of the Group's entities,

- significant limitation of the availability of loan lines 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 amounted to their nominal value. The redemption date of the bonds was set to 4 July 2017 at the nominal value. The Bonds bear interest according to the variable interest rate based on WIBOR 3M 6, increased by a fixed margin. Interest will be paid every six months.

The bonds of ACT01040717 series were introduced to trading at the CATALYST market operated as an alternative trading system by BondSpot S.A. The first trading date was 9 September 2014.

The Issuer announces that, due to its ongoing restructuring, the claims due to the redemption of and interest on series ACT01 040717 bonds which mature after the opening date of the restructuring proceedings:

a) are subject to a composition under Article 150(1)(1) RL (interest due for the period before the proceedings were initiated); Article 150(1)(2) RL (interest due for the period from the initiation date of the proceedings), in connection with Article 366(1)(2) RL;

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

On 24 October 2014, ACTION GAMES LAB S.A. concluded an agreement to take out a borrowing from its main shareholder, Piotr Bieliński, amounting to PLN 1,000 thousand. The borrowing bears interest at a variable rate of WIBOR 3M plus the lender's margin. The borrowing matures on 31 December 2017.

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4. Information on dividend paid/declared

In 2016, the Company generated a loss.

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 made a decision on not publishing forecasts for 2017.

6. Effects of changes in the Group's structure

On 24 November 2017, the District Court, Division of the National Court Register, registered the merger of several Group's companies. The details are included in *Note 7 Events after the balance sheet date*.

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

According to information available to the Company, the shareholders holding at least 5% of total votes at the GSM as at the submission date of the previous report (for H1 2017), i.e. 28 September 2017, were:

Natural or legal person	Number of shares held	Percentage share in the capital of ACTION S.A.	Number of votes	% share of votes
Piotr Bieliński	3,811,749	22,48%	3,811,749	22,48%
Aleksandra Matyka *)	3,093,457	18,24%	3,093,457	18,24%
Wojciech Wietrzykowski	1,199,390	7,07%	1,199,390	7,07%
Other	8,852,404	52,21%	8,852,404	52,21%

*) As at 25 May 2015

The shareholding structure above 5% share in the share capital as at the day of preparing the statements for Q3 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	% 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%

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*) As at 25 May 2015

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

As at the submission date of the report for H1 2017, i.e. 28 September 2017, the following managers and supervisors held ACTION S.A.'s shares:

Full name	Function in the corporate bodies of ACTION S.A. in restructuring	Number of shares of ACTION S.A. in restructuring
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

According to the information available to the Issuer, the above situation had changed before the day the present Statements (for Q3 2017) were communicated, i.e. 27 November 2017, and looks as follows:

Full name	Function in the corporate bodies of ACTION S.A. in restructuring	Number of shares of ACTION S.A. in restructuring
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
Adam Świtalski	Member of the Supervisory Board	0
Wojciech Wietrzykowski	Commercial Representative	1,199,390
Andrzej Biały	Commercial Representative	9,323

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

In the reporting period regarding the Company, the Company continued the proceedings concerning the Issuer's liabilities, the value of which, determined separately for each proceeding and jointly for all proceedings, would constitute at least 10% of the Company's equity.

The Company has instituted litigation to recover PLN 1,558 thousand of receivables from one of its counterparties. The circumstances of the case (in particular, the acceptance of the subject matter of the agreement and payment) indicate that this company does not challenge the justification of the claim. However, the debtor requests to set off its claims against the claims of ACTION S.A. in restructuring, which, in the opinion of the Company, is groundless and not based on the provisions of the agreement concluded between the parties, nor on any other legal sources. Court proceedings concerning mutual claims in the amount of PLN 26,700 thousand are also pending.
The Company has also instituted litigation to recover PLN 174,446 thousand in damages from a bank. The bank in question does not accept the claim.
The above court proceedings are still at an early stage and, given the complexity of their subject matter, it is difficult to determine when they will end. According to current analyses of the cases, there is a strong basis for the Company to pursue them and be able to effectively counter the other party's claims.
The Company is waiting for the examination of a cassation appeal by the Supreme Administrative Court in connection with a decision of the Tax Audit Office concerning VAT for December 2008. The amount of the dispute is PLN 6,352 thousand. The Company expects a positive outcome of these cases due to the positive court verdicts issued in the cases directly connected with the disputed transactions. The Company recognised write-downs in the total amount of PLN 6,761 thousand on claims resulting from the settled decisions of the Tax Audit Office.
The Company also filed a complaint with the Voivodeship Administrative Court in Warsaw in relation to the Decision of the Head of the Tax Chamber concerning VAT for individual months from July 2011 to January 2012. The Company recognised write-downs in the total amount of PLN 29,115 thousand on claims resulting from the settled decisions of the Tax Audit Office. In the Company's opinion, also in this case there are reasonable grounds to assume that the outcome of the case will be in the Company's favour (based on an analysis of the recent rulings of administrative courts).

The Management Board believes that there may be benefits and encumbrances in the form of the above amounts (being the subject matters of the said disputes) resulting from legal cases pending before courts to which the Group's companies are a party.

The Issuer also points out that, in *Note 3.4 Taxes*, it submitted, as before, information concerning relevant tax proceedings.

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 at 30 September 2017, amounted to PLN 8,239 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

At the beginning of July 2017, Mr Adam Świtalski was entrusted with the function of the Independent Member of the Supervisory Board, which he has performed since 4 July 2017. The new member of the Supervisory Board was appointed in connection with the resignation of Mr Karol Orzechowski from the membership of the Supervisory Board.

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

In 2017, the key factor determining the operating result of the Group will remain the course of the restructuring proceedings and their consequences. Therefore, ACTION S.A. in restructuring is consistently implementing the tasks detailed 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.

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 entities: ACTION CT WANTUŁA Sp. j., ACTIVE TRAVEL Sp. z o.o., ACTIVE SOLUTIONS Sp. o.o., ACTION ENERGY Sp. z 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 at 30 September 2017 and for the period from 1 January 2017 to 30 September 2017

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for Q3 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

	Receivables	Amounts payable	Revenues on sales	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. **)	0	7	0	174
A.PL INTERNET S.A. ***)	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. ****)	0	0	0	162
ACTIVE TRAVEL Sp. z o.o. *****)	1,418	0	1,201	9,912
TYTANID Sp. z o.o. ******)	0	0	0	0
Total	**1,418**	**7**	**1,201**	**10,248**

***) 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 30 September 2016 and for the period from 01.01.2016 to 30.09.2016

	Receivables	Amounts payable	Revenues on sales	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	125	0	0	0
ACTIVE TRAVEL Sp. z o.o. **)	0	5	7	1,214
A.PL INTERNET S.A. ***)	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o. ****)	0	29	0	431
ACTION ENERGY Sp. z o.o. *****)	0	78	386	3,531
TYTANID Sp. z o.o. ******)	0	0	0	0
Total	**125**	**112**	**393**	**5,176**

*) 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, the company was a related entity between 23 March 2011 and 6 July 2011 due to the participation of the President of the Company's Management Board in managing the company A.PL. INTERNET S.A.,
****) ACTIVE SOLUTIONS Sp. o.o. with its registered office in Warsaw
*****) ACTION ENERGY Sp. z o.o., with its registered office in Kraków, was excluded from consolidation as at 1 January 2015 due to the 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 statement.

14.2. Transactions with associates subject to consolidation

Data as at 30 September 2017 and for the period from 1 January 2017 to 30 September 2017

	Receivables	Amounts payable	Revenues on sales	Purchases and costs
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	0	0	24	27
SFK Sp. z o.o. in bankruptcy	0	0	0	0
Total	**0**	**0**	**24**	**27**

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

	Receivables	Amounts payable	Revenues on sales	Purchases and costs
ACTION CENTRUM EDUKACYJNE Sp. z o.o.	49	0	84	232
SFK Sp. z o.o. in bankruptcy	0	0	0	0
Total	**49**	**0**	**84**	**232**

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for Q3 2017 (all amounts are expressed in PLN thousand, unless stated 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 30 September 2017 include: statement of comprehensive income, statement of financial position, statement of changes in equity, 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(Journal of Laws of 2016, item 860), the Management Board of ACTION S.A. in restructuring hereby declares as follows:

- 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 that they give a true and fair view of the Company's state of affairs, property, financial position and 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 at 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

Warsaw, 27 November 2017

V. Interim condensed financial statements of ACTION S.A. in restructuring for the period from 1 January 2017 to 30 September 2017

Selected financial data of ACTION S.A. in restructuring

SELECTED SEPARATE FINANCIAL DATA	in PLN thousand		in thousand EUR	
	3 quarters period from 01/01/2017 to 30/09/2017	3 quarters period from 01/01/2016 to 30/09/2016	3 quarters period from 01/01/2017 to 30/09/2017	3 quarters period from 01/01/2016 to 30/09/2016
I. Net revenues from sales of products, goods and materials	938,584	2,101,067	220,501	480,925
II. Gross profit/loss on sale	49,429	103,998	11,612	23,805
III. Profit/loss on operating activities	-33,460	-5,920	-7,861	-1,355
IV. Net profit/loss attributable to the Company's shareholders	-36,337	-9,304	-8,537	-2,130
V. Net operating cash flows	38,984	49,517	9,158	11,334
VI. Net cash flow from investing activities	1,605	779	377	178
VII. Net cash flow from financing activities	-100,752	-26,120	-23,670	-5,979
VIII. Net increases (decreases) in cash	-60,163	24,176	-14,134	5,534
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-2.14	-0.55	-0.50	-0.13
	As at 30/09/2017	As at 31/12/2016	As at 30/09/2017	As at 31/12/2016
X. Total assets	681,729	821,968	158,207	185,797
XI. Amounts payable	520,737	623,858	120,846	141,017
XII. Long-term liabilities	8,260	19,339	1,917	4,371
XIII. Short-term liabilities	512,477	604,519	118,929	136,645
XIV. Equity attributable to the Company’s shareholders	160,992	198,110	37,361	44,781
XV. Initial capital	1,696	1,696	394	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)	9.49	11.68	2.20	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 at the last day of the period
1 January 2017 - 30 September 2015	4.2566	4.1737	4.3308	4.3091
1 January 2016 - 31 December 2016	4.3757	4.2684	4.4405	4.4240
1 January 2016 - 30 September 2016	4.3688	4.2684	4.4405	4.3120

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

- items concerning the Statement of Comprehensive Income and the Cash Flow Statement were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for Q3 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Poland, in force on the last day of each month, the exchange rate for 3 quarters of 2017 stood at EUR 1 = PLN 4.2566, for 3 quarters of 2016 – EUR 1 = PLN 4.3688;
- The items of the statement of financial position were converted at the average exchange rate published by the National Bank of Poland, in force as at the balance sheet date; on 30 September 2017 this exchange rate stood at: EUR 1 = PLN 4.3091, on 31 December 2016: EUR 1 = PLN 4.4240 and on 30 September 2016: EUR 1 = PLN 4.3120.

Statement of comprehensive income

All revenues and expenses relate to continued operations.

	3 quarters cumulative period from 01/01/2017 to 30/09/2017	Q3 period from 01/07/2017 to 30/09/2017	3 quarters cumulative period from 01/01/2016 to 30/09/2016	Q3 period from 01/07/2016 to 30/09/2016
Revenues on sales	938,584	324,232	2,101,067	522,944
Costs of products, goods and materials sold	-889,155	-305,408	-1,997,069	-505,957
Gross profit from sales	**49,429**	**18,824**	**103,998**	**16,987**
Selling and marketing expenses	-57,843	-17,136	-90,163	-23,730
General and administrative expenses	-18,041	-5,587	-18,125	-6,342
Other operating revenue and profits	3,764	1,176	3,749	928
Other costs and losses	-10,769	186	-5,379	-3,759
Profit/loss on operating activities	**-33,460**	**-2,537**	**-5,920**	**-15,916**
Financial expenses	-2,550	-166	-5,281	-955
Profit/loss before tax	**-36,010**	**-2,703**	**-11,201**	**-16,871**
Income tax	-327	-327	1,897	2,551
Net profit/loss for the financial period	**-36,337**	**-3,030**	**-9,304**	**-14,320**
Other items of comprehensive income				
Net movement due to cash flow hedges	-964	-1,099	-2,286	687
Income tax	183	208	434	-131
Other items of net comprehensive income	**-781**	**-891**	**-1,852**	**556**
Comprehensive income for the period	**-37,118**	**-3,921**	**-11,156**	**-13,764**
Profit attributable to the Company's shareholders per ordinary share (expressed in PLN per share)				
basic	-2.14	-0.18	-0.55	-0.84
diluted	-2.14	-0.18	-0.55	-0.84
Number of shares	**16,957,000**	**16,957,000**	**16,957,000**	**16,957,000**
Diluted number of shares	**16,957,000**	**16,957,000**	**16,957,000**	**16,957,000**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

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Statement of Financial Position

	30/09/2017	31/12/2016	30/09/2016
ASSETS			
Fixed assets			
Tangible fixed assets	164,070	169,402	171,111
Goodwill	0	0	0
Other intangible assets	9,298	9,546	9,832
Investment real property	6,673	6,673	6,673
Financial assets	26,785	26,785	41,734
Other financial assets	0	0	8,505
Deferred income tax assets	1,046	1,190	0
Trade and other receivables	0	0	0
	207,872	**213,596**	**237,855**
Current assets			
Inventory	140,826	143,560	253,050
Trade and other receivables	238,260	303,171	331,059
Receivables from current income tax	0	5,742	4,663
Derivative financial instruments	92	306	0
Other financial assets	15,362	16,113	17,329
Cash and cash equivalents	79,317	139,480	52,149
Total assets	**473,857**	**608,372**	**658,250**
	681,729	**821,968**	**896,105**
EQUITY			
Share capital	1,696	1,696	1,696
Share premium surplus	62,231	62,231	62,231
Other reserve capital	30,000	30,000	30,000
Retained profit	68,023	104,360	249,470
Other equity items	-958	-177	-188
Total equity	**160,992**	**198,110**	**343,209**
LIABILITIES			
Long-term liabilities			
Loans, borrowings and other liabilities due to financing	8,260	19,339	122,622
Deferred income tax provisions	0	0	2,917
	8,260	**19,339**	**125,539**
Short-term liabilities			
Trade and other liabilities	383,491	388,010	314,253
Loans, borrowings and other liabilities due to financing	127,694	215,370	111,860
Current income tax liabilities	0	0	0
Employee benefits liabilities	1,292	1,139	1,244
Derivative financial instruments	0	0	0
Provisions for other liabilities and charges	0	0	0
	512,477	**604,519**	**427,357**
Total liabilities	**520,737**	**623,858**	**552,896**
Total liabilities	**681,729**	**821,968**	**896,105**

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

Warsaw, 27 November 2017

Consolidated Quarterly Report of the Capital Group of ACTION S.A. in restructuring for Q3 2017 (all amounts are expressed in PLN thousand, unless stated otherwise)

Statement of Changes in Equity

	Equity attributable to the Company's shareholders					Total equity
	Share capital	**Share premium surplus**	**Retained profit**	**Other reserve capital**	**Capital from cash flow hedge valuation**	
As at 1 January 2017	**1,696**	**62,231**	**104,360**	**30,000**	**-177**	**198,110**
Total comprehensive income			,-36,337		-781	**,-37,118**
Declared dividend						
Other						
As at 30 September 2017	**1,696**	**62,231**	**68,023**	**30,000**	**-958**	**160,992**
As at 1 January 2016	**1,661**	**58,112**	**275,731**	**34,164**	**1,664**	**371,332**
Total comprehensive income			,-154,414		-1,841	**-156,255**
Declared dividend			-16,957			**-16,957**
Other	35	4,119		-4,164		**-10**
As at 31 December 2016	**1,696**	**62,231**	**104,360**	**30,000**	**-177**	**198,110**
As at 01 January 2016	**1,661**	**58,112**	**275,731**	**34,164**	**1,664**	**371,332**
Total comprehensive income			-9,304		-1,852	**-11,156**
Declared dividend			-16,957			**-16,957**
Other	35	4,119		-4,164		**-10**
As at 30 September 2016	**1,696**	**62,231**	**249,470**	**30,000**	**-188**	**343,209**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

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Cash flow statement

	3 quarters period from 01/01/2017 to 30/09/2017	3 quarters period from 01/01/2016 to 30/09/2016
Cash flows from operating activities		
Net profit/loss for the financial period	**-36,337**	**-9,304**
Adjustments for:	**75,321**	**30,987**
Income tax	327	-1,897
Income tax paid	2,080	4,317
Amortisation/depreciation of tangible and intangible assets	6,889	7,482
Investment profit/loss	-243	-1,515
Interest revenues	-1,463	-869
Interest expenses	2,550	5,281
Other	-1,607	-2,538
Changes in working capital:		
Inventory	2,734	130,236
Trade and other receivables	70,653	288,445
Trade and other liabilities	-6,599	-397,955
Net operating cash flow	**38,984**	**21,683**
Cash flow from investing activities		
Acquisition of tangible fixed and intangible assets	-324	-669
Acquisition of investment real property	0	0
Inflows from the sale of property, plant and equipment and intangible assets	0	88
Other investment inflows/outflows	1,929	328
Net cash flow from investing activities	**1,605**	**-253**
Cash flow from financing activities		
Redemption of debt securities	0	0
Issuance of debt securities	0	0
Credits and loans received	0	15,413
Repayment of credits and loans	-98,096	0
Dividend paid	0	0
Interest paid	-914	-6,877
Payments under finance lease agreements	-1,742	-2,881
Other financial inflows/outflows	0	0
Net cash flow from financing activities	**-100,752**	**5,655**
Net increases/decreases of cash	**-60,163**	**27,085**
Cash at the beginning of the period	139,480	25,064
Foreign exchange gains/losses on measurement of cash	0	0
Closing balance of cash	**79,317**	**52,149**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Warsaw, 27 November 2017

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Notes

1. Material estimates

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

Presented below is the deferred income tax subject to offsetting:

	30/09/2017	31/12/2016
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	4,814	9,356
	4,814	**9,356**
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	3,768	8,166
	3,768	**8,166**
Deferred income tax assets	**0**	**0**
Deferred income tax provisions	**1,046**	**1,190**
Deferred income tax assets/provisions (on balance)	**1,046**	**1,190**

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

	30/09/2017	31/12/2016
At the beginning of the period	**1,190**	**-6,327**
Increase/decrease of financial result	-327	7,085
Increase/decrease of equity	183	432
At the end of the period	**1,046**	**1,190**

2. Write-downs on assets

2.1 Write-downs on long-term financial assets

	30/09/2017	31/12/2016	30/09/2016
Opening write-down on long-term financial assets	**-17,374**	**-2,392**	**-2,392**
Created	0	-14,982,	0
Utilised	0	0	0
Reversed	0	0	0
Closing write-down on long-term financial assets	**-17,374**	**-17,374**	**-2,392**

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2.2 Impairment losses on short-term financial assets

	30/09/2017	31/12/2016	30/09/2016
Opening write-down on short-term financial assets	**-10,492**	**-104**	**-104**
Created	0	-10,388	0
Utilised	0	0	0
Reversed	0	0	0
Closing write-down on short-term financial assets	**-10,492**	**-10,492**	**-104**

2.3 Write-downs on inventories

	30/09/2017	31/12/2016	30/09/2016
Opening write-down on inventories	**-9,010**	**-2,781**	**-2,781**
Created (Costs of products, goods and materials sold)	0	-6,229	-598
Used (Costs of products, goods and materials sold)	6,783	0	0
Released (Costs of products, goods and materials sold)	0	0	0
Closing write-down on inventories	**-2,227**	**-9,010**	**-3,379**

The impairment write-down was utilised following the revaluation of trading goods based on inventory ageing.
As at 30 September 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

	30/09/2017	31/12/2016	30/09/2016
Opening write-down on receivables	**-12,693**	**-12,193**	**-12,193**
Created	-569	-4,823	-4,527
Utilised	148	4,047	4,052
Reversed	35	276	9
Closing write-down on receivables	**-13,079**	**-12,693**	**-12,659**

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3. Contingent assets and liabilities

As at 30 September 2017, the Company had contingent receivables due to repayment of receivables of 10,880 thousand PLN. Security liabilities under agreements signed as at the reporting date which are not reflected in the Company's interim condensed financial statements amounted to PLN 53,404 thousand as at 30 September 2017 and PLN 63,390 thousand as at 31 December 2016.

	30/09/2017	31/12/2016	30/09/2016
1. Contingent receivables	**10,880**	**9,435**	**9,411**
1.1. From related entities (due to)	0	0	0
- guarantees and sureties received	0	0	0
1.2. From other entities (due to)	10,880	9,435	9,411
- guarantees and sureties received	10,880	9,435	9,411
2. Contingent liabilities	**53,404**	**63,390**	**104,630**
1.1. To related entities (due to)	45,165	54,373	76,236
- guarantees and securities granted	45,165	54,373,	76,236
1.2. For other entities (due to)	8,239	9,017	28,394
- guarantees and securities granted	8,239	6,922	18,029
- letters of credit	0	2,095	10,365
3. Other (due to)	**0**	**0**	**0**
Total off-balance sheet items	**64,284**	**72,825**	**114,041**

Guarantees and sureties granted

As at 30 September 2017, the value of guarantees and sureties granted amounted to PLN 53,404,567 thousand, including:

towards other entities

Bank guarantees for a total amount of (EUR 367 thousand) PLN 1,339 thousand,
Bank guarantees in the total amount of PLN 6,900 thousand.

towards related parties

Bank guarantees for a total amount of (EUR 10,400 thousand) PLN 44,815 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 27 November 2017.

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

Warsaw, 27 November 2012