



CONSOLIDATED  
QUARTERLY REPORT  
FOR Q3, 2018 OF  
ACTION S.A.  
IN RESTRUCTURING

29 NOVEMBER 2018

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## **I. Statement of the Management Board concerning the accuracy of the quarterly condensed consolidated financial statements**

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

The interim condensed consolidated financial statements of the Capital Group ACTION S.A. in restructuring for the period ended 30 September 2018 comprise: the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated cash flow statement, and notes containing a description of key accounting principles and selected explanatory notes.

Pursuant to the requirements of the Regulation of the Minister of Finance of 29 March 2018 on Current and Interim Information to be Submitted by Issuers of Securities and Conditions for Considering as Equivalent Information Required under the Law of a Non-Member State (Dziennik Ustaw of 2018, item 757), the Management Board of ACTION S.A. in restructuring hereby represents that:

– to the best of its knowledge, the interim condensed consolidated financial statements and the comparative data have been drawn up in compliance with the applicable accounting principles and present a true, accurate and fair view of the Group's economic and financial position and its financial result, and the interim condensed Management Report of the Group contains a true representation of the Group's growth, achievements and standing, including the description of basic risks and threats.

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

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

Zamienie, 29 November 2018

## II. The interim condensed consolidated financial statements drawn up in accordance with the International Financial Reporting Standards for the period from 1 January 2018 to 30 September 2018

### Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	in PLN thousands		in EUR thousands	
	3 quarters	3 quarters	3 quarters	3 quarters
	period from 01/01/2018 to 30/09/2018	period from 01/01/2017 to 30/09/2017	period from 01/01/2018 to 30/09/2018	period from 01/01/2017 to 30/09/2017
I. Net revenue from sales of products, goods and materials	1,187,772	1,202,826	279,246	282,579
II. Gross profit/loss on sales	88,774	84,926	20,871	19,952
III. Profit/loss on operating activity	-15,798	-46,269	-3,714	-10,870
IV. Net profit/loss attributed to the Company's shareholders	-15,460	-48,972	-3,635	-11,505
V. Net cash flow from operating activity	6,351	42,666	1,493	10,023
VI. Net cash flow from investing activity	-265	931	-62	219
VII. Net cash flow from financing activity	-14,866	-111,379	-3,495	-26,166
VIII.VIII. Net increase (decrease) in cash	-8,780	-67,782	-2,064	-15,924
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-0.91	-2.89	-0.21	-0.68
	<b>As of 30/09/2018</b>	<b>As of 31/12/2017</b>	<b>As of 30/09/2018</b>	<b>As of 31/12/2017</b>
X. Total assets	592,962	630,805	138,821	151,240
XI. Liabilities	487,266	507,985	114,076	121,793
XII. Non-current liabilities	49	5,756	11	1,380
XIII. Current liabilities	487,217	502,229	114,065	120,413
XIV. Equity attributed to the Company's shareholders	114,579	130,548	26,825	31,300
XV. Share capital	1,696	1,696	397	407
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)	6.76	7.70	1.58	1.85

### PLN/EUR exchange rates

Period	Average exchange rate during the period	Minimum exchange rate during the period	Maximum exchange rate during the period	Exchange rate as of the last day of the period
01/01/2018-30/09/2018	4.2535	4.1488	4.3616	4.2714
01/01/2017-31/12/2017	4.2447	4.1709	4.4157	4.1709
01/01/2017-30/09/2017	4.2566	4.1737	4.3308	4.3091

\*) Earnings per ordinary share were 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 series A shares from PLN 1 to PLN 0.10, while dividing 1 share having the value of PLN 1 into 10 shares having the nominal value of PLN 0.10. The change was made on 11/04/2006 by way of a resolution of the Extraordinary General Meeting.

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

Selected financial data presented in the financial statements were translated into euros in the following manner:

- items concerning the consolidated statement of comprehensive income and the cash flow statement were translated 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 2018 stood at EUR 1 = PLN 4.2535, for 3 quarters of 2017 – EUR 1 = PLN 4.2566;
- items of the consolidated statement of financial position were translated at the average exchange rate published by the National Bank of Poland, in force as of the balance sheet date; as of 30 September 2018, this exchange rate stood at: EUR 1 = 4.2714 PLN, as of 31 December 2017 – EUR 1 = 4.1709 PLN, and as of 30 September 2017 – EUR 1 = PLN 4.3091.

## Consolidated statement of comprehensive income

Entire revenues and costs are related to continued operations.

	Note	3 quarters, cumulative period from 01/01/2018 to 30/09/2018	Q3 period from 01/07/2018 to 30/09/2018	3 quarters cumulative period from 01/01/2017 to 30/09/2017	Q3 period from 01/07/2017 to 30/09/2017
Sales revenues	(5.2)	1,187,772	407,291	1,202,826	408,003
Costs of products, goods and materials sold	(5.3)	-1,098,998	-379,881	-1,117,900	-380,024
<b>Gross profit on sales</b>		<b>88,774</b>	<b>27,410</b>	<b>84,926</b>	<b>27,979</b>
Selling and marketing expenses	(5.3, 5.4)	-83,280	-24,507	-98,913	-30,086
General and administrative expenses	(5.3, 5.4)	-24,619	-10,134	-23,171	-6,951
Other operating revenues and profits	(5.5)	8,481	1,198	3,701	1,595
Other costs and losses	(5.6)	-5,154	-3,100	-12,812	2,109
<b>Profit/loss on operating activity</b>		<b>-15,798</b>	<b>-9,133</b>	<b>-46,269</b>	<b>-5,354</b>
Financial expenses	(5.7)	-472	186	-3,492	-442
<b>Profit/loss before tax</b>		<b>-16,270</b>	<b>-8,947</b>	<b>-49,761</b>	<b>-5,796</b>
Income tax	(5.8)	-74	140	-226	182
Share in the net result of the associate		-76	24	-32	39
<b>Net profit/loss for the financial period</b>		<b>-16,420</b>	<b>-8,783</b>	<b>-50,019</b>	<b>-5,575</b>
<b>Other components of comprehensive income</b>					
Net movement due to cash flow hedging		-477	703	-964	-1,099
Income tax		91	-133	183	208
Other items		-119	100	-132	-158
<b>Other components of net comprehensive income</b>		<b>-505</b>	<b>670</b>	<b>-913</b>	<b>-1,049</b>
<b>Comprehensive income for the period</b>		<b>-16,925</b>	<b>-8,113</b>	<b>-50,932</b>	<b>-6,624</b>
<b>Profit/loss net attributed to:</b>					
<b>the Company's shareholders</b>		<b>-15,460</b>	<b>-8,099</b>	<b>-48,972</b>	<b>-5,483</b>
non-controlling interest		-960	-684	-1,047	-92
<b>Comprehensive income attributed to:</b>					
<b>the Company's shareholders</b>		<b>-15,965</b>	<b>-7,429</b>	<b>-49,885</b>	<b>-6,532</b>
non-controlling interest		-960	-684	-1,047	-92
<b>Profit/loss attributed to the Company's shareholders per ordinary share</b> (expressed in PLN per share):					
Basic		-0.91	-0.48	-2.89	-0.32
Diluted		-0.91	-0.48	-2.89	-0.32
<b>Number of shares</b>		<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>
<b>Diluted number of shares</b>		<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>

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

Zamienie, 29 November 2018

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

Earnings per share are calculated by dividing the profit attributed 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 11/04/2006. Moreover, the weighted average number of ordinary shares was increased by the issue of 347,000 series C shares entered in the National Court Register on 10 February 2016.

## Consolidated statement of financial position

	Note	30/09/2018	31/12/2017	30/09/2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	(5.9)	158,331	163,663	166,130
Goodwill		0	0	2,336
Other intangible assets		9,340	10,085	10,237
Investment property	(5.10)	3,545	3,545	3,545
Financial assets		324	324	324
Shares in associates measured using the equity method		0	0	0
Deferred income tax assets	(5.8)	0	0	1,564
Trade and other receivables		9	297	365
		<b>171,549</b>	<b>177,914</b>	<b>184,501</b>
<b>Current assets</b>				
Inventories	(5.11)	134,976	135,348	175,483
Trade and other receivables		209,719	230,929	231,050
Current income tax receivables		0	900	0
Derivative financial instruments		0	0	92
Other financial assets		0	216	216
Cash and cash equivalents		76,718	85,498	84,775
		<b>421,413</b>	<b>452,891</b>	<b>491,616</b>
<b>Total assets</b>		<b>592,962</b>	<b>630,805</b>	<b>676,117</b>
<b>EQUITY</b>				
<b>Equity attributed to the Company's shareholders</b>				
Share capital		1,696	1,696	1,696
Share premium		62,231	62,231	62,231
Other reserve capitals		30,000	30,000	30,000
Retained earnings		21,077	36,541	44,248
Foreign exchange differences on translation of a foreign operation		-163	-44	-260
Other equity components		-262	124	-958
		<b>114,579</b>	<b>130,548</b>	<b>136,957</b>
<b>Non-controlling interest</b>		<b>-8,883</b>	<b>-7,728</b>	<b>-6,730</b>
<b>Total equity</b>		<b>105,696</b>	<b>122,820</b>	<b>130,227</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans, borrowings and other financing liabilities	(5.13)	0	5,697	8,360
Trade liabilities and other liabilities		0	0	0
Deferred income tax provisions	(5.8)	49	59	41
		<b>49</b>	<b>5,756</b>	<b>8,401</b>
<b>Current liabilities</b>				
Trade and other liabilities		360,070	366,323	379,502
Loans, borrowings and other financing liabilities	(5.13)	125,989	134,746	156,437
Current income tax liabilities		0	0	0
Employee benefits liabilities		1,158	1,160	1,550
Derivative financial instruments		0	0	0
Provisions for other liabilities and encumbrances		0	0	0
		<b>487,217</b>	<b>502,229</b>	<b>537,489</b>
<b>Total liabilities</b>		<b>487,266</b>	<b>507,985</b>	<b>545,890</b>
<b>Total equity &amp; liabilities</b>		<b>592,962</b>	<b>630,805</b>	<b>676,117</b>

Piotr Bieliński  
President of the Management

Sławomir Harazin  
Vice-President of the Management



Board

Board

Zamienie, 29 November 2018

## Statement of changes in consolidated equity

	Equity attributed to the shareholders of the Parent Company						Equity attributed to non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Other reserve capitals	Capital from cash flow hedge valuation	Foreign exchange differences on translation of a foreign operation		
<b>As of 1 January 2018</b>	<b>1,696</b>	<b>62,231</b>	<b>36,541</b>	<b>30,000</b>	<b>124</b>	<b>-44</b>	<b>-7,728</b>	<b>122,820</b>
Total comprehensive income			-15,460		-386	-119	-960	<b>-16,925</b>
Dividends declared								<b>0</b>
Other			-4				-195	<b>-199</b>
<b>As of 30 September 2018</b>	<b>1,696</b>	<b>62,231</b>	<b>21,077</b>	<b>30,000</b>	<b>-262</b>	<b>-163</b>	<b>-8,883</b>	<b>105,696</b>
<b>As of 1 January 2017</b>	<b>1,696</b>	<b>62,231</b>	<b>89,022</b>	<b>30,000</b>	<b>-177</b>	<b>-128</b>	<b>-5,917</b>	<b>176,727</b>
Total comprehensive income			-56,392		301	84	-2,150	<b>-58,157</b>
Dividends declared								<b>0</b>
Other			3,911				339	<b>4,250</b>
<b>As of 31 December 2017</b>	<b>1,696</b>	<b>62,231</b>	<b>36,541</b>	<b>30,000</b>	<b>124</b>	<b>-44</b>	<b>-7,728</b>	<b>122,820</b>
<b>As of 1 January 2017</b>	<b>1,696</b>	<b>62,231</b>	<b>89,022</b>	<b>30,000</b>	<b>-177</b>	<b>-128</b>	<b>-5,917</b>	<b>176,727</b>
Total comprehensive income			-48,972		-781	-132	-1,047	<b>-50,932</b>
Dividends declared								<b>0</b>
Other			4,198				234	<b>4,432</b>
<b>As of 30 September 2017</b>	<b>1,696</b>	<b>62,231</b>	<b>44,248</b>	<b>30,000</b>	<b>-958</b>	<b>-260</b>	<b>-6,730</b>	<b>130,227</b>

Piotr Bieliński  
President of the Management Board

Sławomir Harazin  
Vice-President of the Management Board

Zamienie, 29 November 2018

## Consolidated cash flow statement

Note	period from 01/01/2018 to 30/09/2018	period from 01/01/2017 to 30/09/2017
<b>Cash flows from operating activity</b>		
<b>Net profit/loss attributed to the Company's shareholders</b>	<b>-15,460</b>	<b>-48,972</b>
<b>Adjustments for:</b>	<b>21,811</b>	<b>91,638</b>
Income tax	74	226
Income tax paid	900	2,080
Depreciation of fixed assets and intangible assets	6,822	7,622
Gain (loss) on investing activity	549	1,360
Interest revenues	-1,187	-1,255
Interest expenses	472	3,492
Share in the net result of the associate	76	32
Other	-1,512	1,383
<i>Movement in working capital:</i>		
Inventories	372	3,169
Trade and other receivables	21,498	80,065
Trade liabilities and other liabilities	-6,253	-6,536
<b>Net cash flows from operating activity</b>	<b>6,351</b>	<b>42,666</b>
<b>Cash flows from investing activity</b>		
Acquisition of property, plant and equipment, and of intangible assets	-1,214	-478
Inflows from sales of property, plant and equipment, and of intangible assets	0	182
Other investment inflows/outflows	949	1,227
<b>Net cash flows from investing activity</b>	<b>-265</b>	<b>931</b>
<b>Cash flows from financing activity</b>		
Inflows from the issue of shares	0	0
Acquisition of equity shares	0	0
Inflows from the issue of bonds	0	0
Loans and borrowings received	0	0
Repayment of loans and borrowings	-12,780	-107,727
Dividends paid out	0	0
Interest paid	-469	-1,856
Payments of liabilities under financial lease agreements	-1,617	-1,796
Other financial inflows/outflows	0	0
<b>Net cash flows from financing activity</b>	<b>-14,866</b>	<b>-111,379</b>
<b>Net increases/decreases in cash</b>	<b>-8,780</b>	<b>-67,782</b>
Opening balance of cash	85,498	152,557
Foreign exchange gains (losses) on valuation of cash	0	0
<b>Closing balance of cash</b>	<b>76,718</b>	<b>84,775</b>

Piotr Bieliński

Sławomir Harazin

President of the Management  
Board

Vice-President of the Management  
Board

Zamienie, 29 November 2018

## Notes for 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 number:	(+48 22) 332 16 00
Fax number:	(+48 22) 332 16 10
E-mail:	<a href="mailto:action@action.pl">action@action.pl</a>
Website:	<a href="http://www.action.pl">www.action.pl</a>
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 its subsidiaries consists of the sale of IT equipment, consumer electronics and household appliances through wholesalers, its own outlets and third party shops. The Group sells its products primarily in Poland. 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, at 10 Dawidowska Street.

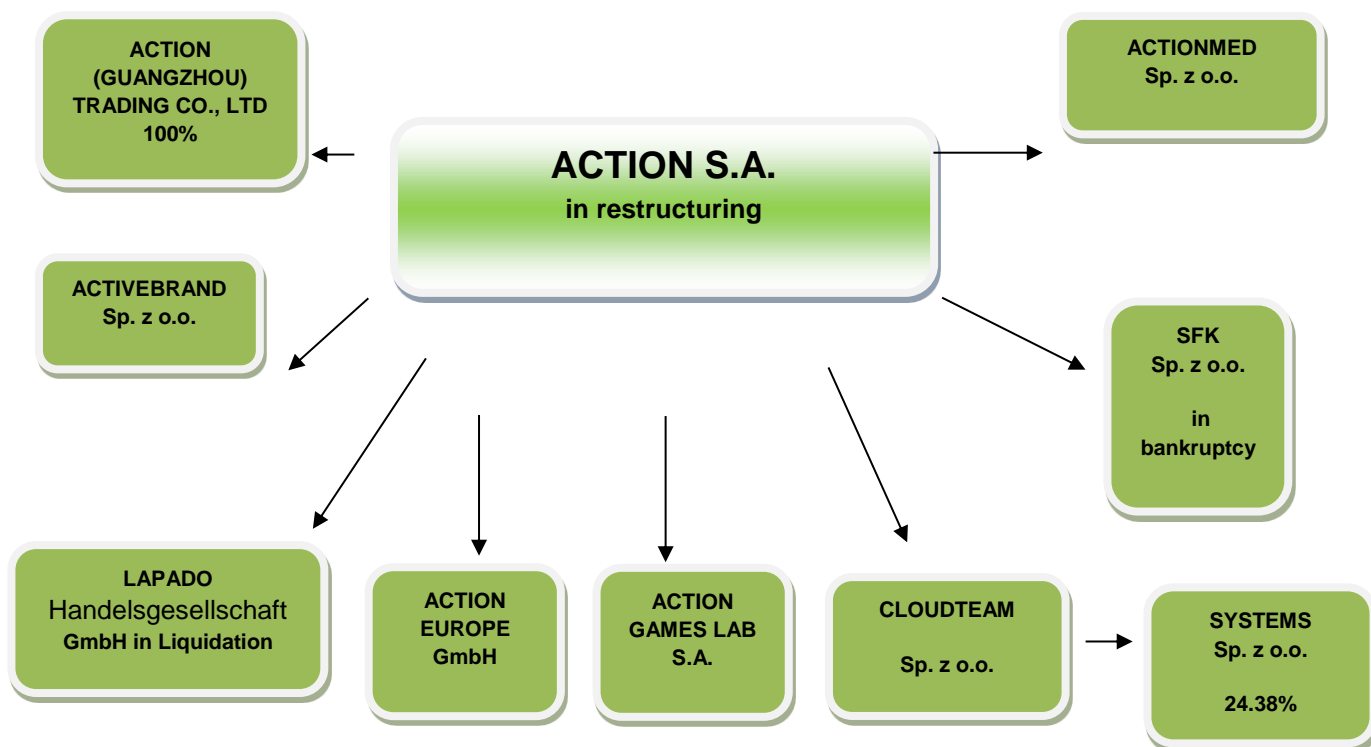
On 2 August 2004, ACTION Spółka Akcyjna in restructuring was entered in the Register of Entrepreneurs of the National Court Register under KRS number 0000214038, based on the decision of the District Court in Warsaw, 19th Commercial Division of the National Court Register. The Company is currently registered in the 14th Commercial Division of the Register Court for the Capital City of Warsaw. The Issuer's legal predecessor, ACTION spółka z ograniczoną odpowiedzialnością, was entered in the Register of Entrepreneurs under KRS no. 0000066230, based on the decision of the District Court in Warsaw, Commercial Division of the National Court Register, dated 28 November 2001.

On 1 August 2016, the District Court for the Capital City of Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, decided to initiate recovery proceedings for ACTION Spółka Akcyjna in restructuring under the provisions of the Restructuring Law Act of 15 May 2015 (Dziennik Ustaw of 2015, item 978).

The change of the registered office of ACTION S.A. in restructuring was entered in the Register of Entrepreneurs based on the decision of the District Court in Warsaw, Commercial Division of the National Court Register, dated 3 July 2017.

## 1.2. Composition of the Group:

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



#### Composition of the Group:

##### Parent Company:

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

##### Subsidiaries and associates:

SFK Sp. z o.o. in bankruptcy, with its registered office in Kraków – a subsidiary (100%). As of the date of drawing up these statements, the bankruptcy proceedings were completed by concluding a composition agreement and the composition agreement has been performed.

ACTION GAMES LAB S.A., with its registered office in Zamienie – a subsidiary (40%)<sup>1)</sup>

CLOUDTEAM Sp. z o. o. (formerly ACTION CENTRUM EDUKACYJNE Sp. z o.o.), with its registered office in Warsaw – an associate (24.38%)<sup>2)</sup>

SYSTEMS Sp. z o.o., with its registered office in Warsaw – an indirect associate (24.38%)<sup>3)</sup>

ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie – a subsidiary (100%)<sup>4)</sup>

ACTION EUROPE GmbH, with its registered office in Braunschweig (Germany) – a subsidiary (100%)<sup>5)</sup>

LAPADO Handelsgesellschaft GmbH in Liquidation, with its registered office in Potsdam (Germany) – a subsidiary (51%)<sup>6)</sup>

ACTIONMED Sp. z o.o., with its registered office in Zamienie – a subsidiary (100%)<sup>7)</sup>  
ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China) – a subsidiary (100%)<sup>8)</sup>

<sup>1)</sup> ACTION GAMES LAB S.A., with its registered office in Zamienie, was incorporated and consolidated as of 12 December 2011.

<sup>2)</sup> CLOUDTEAM Sp. z o. o. (formerly ACTION CENTRUM EDUKACYJNE Sp. z o.o.), with its registered office in Warsaw – the company has been measured using the equity method as of 1 October 2012.

<sup>3)</sup> SYSTEMS Sp. z o. o., with its registered office in Warsaw – the company was consolidated as of 1 October 2012. Measurement using the equity method.

<sup>4)</sup> ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie, was incorporated on 3 September 2012.

<sup>5)</sup> 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%.

<sup>6)</sup> LAPADO Handelsgesellschaft GmbH in Liquidation, with its registered office in Potsdam (Germany), was consolidated as of 1 January 2014.

<sup>7)</sup> ACTIONMED Sp. z o.o., with its registered office in Zamienie, was consolidated as of 19 December 2014.

<sup>8)</sup> 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**

There were no changes in the Group's structure in the period covered by the report.

### **Third-party interest in subsidiaries**

1. LAPADO Handelsgesellschaft GmbH in Liquidation – 49% interest held by Jacek Mońko
2. ACTION GAMES LAB S.A. – 60% of shares carrying rights to 75% of votes at the General Meeting are held by Piotr Bieliński

ACTION EUROPE GmbH engages in distribution activities related to the wholesale of IT products, consumer electronics and household items. In October 2018, EUROPE 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 (GUANGZHOU) TRADING CO., LTD carries out commercial activities in the food industry in China. The main business profiles of CLOUDTEAM Sp. z o.o. and SYSTEMS Sp. z o.o. are training and IT services, and the rental of computer hardware. ACTION GAMES LAB S.A., apart from the provision of advertising services, engages in the production of computer games. In January 2017, LAPADO Handelsgesellschaft GmbH in Liquidation – as of the date of drawing up these statements, the company has not been liquidated.

SFK Sp. z o.o. in bankruptcy – after the balance sheet date, the bankruptcy proceedings were finalised with the conclusion of a composition agreement, the composition agreement has been performed. ACTIVEBRAND Sp. z o.o. – activity has been suspended as of 1 September 2018.

**Entities consolidated as of 30/09/2018**

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 / measured using the equity method or an indication that the entity is not subject to consolidation / measured using the equity method	Date of acquisition of control / joint control / significant influence	Percentage of share capital held	Share in a total number of votes at the general meeting
SFK Sp. z o. o. in bankruptcy	Kraków	advertising activities	subsidiary	District Court for Kraków-Śródmieście, 11th Commercial Division of the National Court Register	full	09/05/2005	100%	100%
ACTION GAMES LAB S.A.	Zamienie	wholesale trade in computer hardware, advertising	subsidiary	District Court for the capital city of Warsaw, 14th Commercial Division of the National Court Register	full	14/12/2011	40%	25%
CLOUDTEAM Sp. z o. o. *	Warsaw	training and IT services and rental of IT hardware	associate	District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register	measured using the equity method	12/09/2012	24.38 %	24.38%
SYSTEMS Sp. z o.o.	Warsaw	training and IT services and rental of IT hardware	indirect associate	District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register	measured using the equity method	12/09/2012	24.38 %	24.38%
ACTIVEBRAND Sp. z o.o.	Zamienie	advisory services in carrying out business activity	subsidiary	District Court for the capital city of Warsaw, 14th Commercial Division of the National Court Register	full	03/09/2012	100%	100%
ACTION EUROPE GmbH	Braunschweig (Germany)	wholesale of computer hardware	subsidiary	District Court in Braunschweig (Amtsgericht Braunschweig)	full	08/07/2013	100%	100%

LAPADO Handelsgesellschaft GmbH in Liquidation	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	subsidiary	District Court for the capital city of 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	subsidiary	Market Administration and Supervision Office in Guangzhou (China)	full	29/06/2016	100%	100%

\*) Formerly ACTION CENTRUM EDUKACYJNE Spółka z ograniczoną odpowiedzialnością. The National Court Register (KRS) registered the change of the company's name as of 06/08/2018.

## 2. Information on the principles applied in the preparation of the report

The interim condensed consolidated financial statements of the capital group ACTION S.A. in restructuring for Q3, 2018 have been drawn up in accordance with IAS 34 *Interim Financial Reporting*.

The Interim condensed consolidated financial statements prepared for the period from 1 January 2018 to 30 September 2018 contain comparative data for the period from 1 January 2017 to 30 September 2017.

The key accounting principles applied in the preparation of 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 have been drawn up in accordance with the historical cost principle, except for financial assets held for trading (derivatives) measured at fair value.

The interim condensed consolidated financial statements have been drawn up under the assumption that the Group would continue as a going concern in the foreseeable future.

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

The interim condensed consolidated financial statements do not include all of 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 ended 31 December 2017, published on 27 April 2018.

### 2.2. Going concern

The interim condensed consolidated financial statements of ACTION S.A. in restructuring have been drawn up under the assumption that the Company would continue as a going concern in the foreseeable future, for not less than 12 months as of the balance sheet date, taking into account the assumptions below.

In compliance with the best market practices, the Company's Management Board indicates factors that may represent a potential threat to the Company's going concern status in the future and presents measures undertaken by the Company with a view to eliminating the negative impact of such threats on the Company and the Capital Group.

In 2016, in connection with the decisions of the Tax Audit Office described in detail in Section 3.3. Taxes, the Management Board of ACTION S.A. submitted to the District Court for the Capital City of Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, a request for opening restructuring proceedings pursuant to the provisions of the Restructuring Law Act of 15 May 2015 (Dziennik Ustaw of 2015, item 978, as amended, hereinafter the "Restructuring Law"). On 1 August 2016, the Court issued a decision on opening recovery proceedings with respect to ACTION S.A. (currently: ACTION S.A. in restructuring).

The Management Board's assumption that the Company would continue as a going concern in the foreseeable future, for not less than 12 months as of the balance sheet date, take into account the status of the Company undergoing restructuring proceedings and are based on a comparative analysis of the revenues and operating costs of the Company recorded until this point as well as anticipated revenues, costs and margins. The key items of the former are the revenues of the entire Capital Group, in which the Company is the Parent Company, amounting to PLN 142,000 thousand per month on average in 2017 and PLN 132,000 thousand in the three first quarters of 2018, and the corresponding costs of purchased goods and outsourced services necessary for the operation of the Capital Group ACTION S.A. in restructuring, amounting to PLN 131,000 thousand per month on average in 2017 and PLN 122,000 thousand in the first three quarters of 2018. These amounts depend mainly on the value of the order portfolio. Therefore, taking



into account the fact that since the recovery 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 of 30 September 2018, the Capital Group has funds in the amount of PLN 76,718<sup>1</sup> thousand and current receivables of PLN 209 719<sup>1</sup> thousand, payable between 15 and 120 days, as well as fast-moving trading goods worth PLN 134,976<sup>1</sup> thousand – which in total 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 recovery proceedings.

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. Certain claims of the Company are secured with mortgage or bank guarantees.

The financing agreement concluded with Bank Pekao S.A. expired as of 31 December 2017; however, Agreement no. 2017/149/DDF with Bank Pekao S.A. making it possible to issue guarantees and letters of credit for the Company's suppliers remains in force.

The Company is continuing efforts to raise new sources of debt financing.

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 Capital Group ACTION, i.e. the merger of ACTION S.A. in restructuring and the following subsidiaries: ACTINA Sp. z o.o., SFERIS Sp. z o.o., RETAILWORLD 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 24 November 2017, the court registered the merger of the Issuer with the aforementioned subsidiaries.

On 5 July 2017, the Company was notified that the Judge Commissioner, appointed for the recovery proceedings regarding ACTION S.A. in restructuring, with its registered office in Warsaw, case file no. X GRs 8/16, issued a decision on 4 July 2017 in which the Judge Commissioner made changes to the composition of the Committee of Creditors. Pursuant to the above-mentioned decision, Societe Generale S.A. Branch in Poland was dismissed from the Committee of Creditors under Article 125 (2) of the Restructuring Law while PKO BP S.A. with its registered office in Warsaw was appointed as member of the Committee of Creditors. Societe Generale S.A. Branch in Poland was dismissed due to the fact that the Company had repaid all of its liabilities towards the bank as of 29 May 2017, as a result of which Societe Generale S.A. Branch in Poland ceased to be a creditor of ACTION S.A. in restructuring and the bank's further sitting on the Committee 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 – 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 in covering the costs of the restructuring proceedings or settling claims arising after the opening date of the recovery proceedings. As of 1 August 2016, the Company has reduced its operating costs considerably, and since then, the Company has been statutorily protected against aggressive and economically unviable enforcement on the part of individual creditors or their protective measures that might lead to the cessation of the operating activities of the enterprise, causing its completely unjustified insolvency and bankruptcy. This statement is clearly demonstrated by the analysis of business costs incurred so far, and the latest cash flow forecast drawn up on the basis of such assumptions. This forecast, together with the assumptions, updates the forecast that was evaluated in positive terms during an independent verification carried out by KPMG in late 2017. Importantly, the cash flow forecast was

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<sup>1</sup> In accordance with the consolidated statements of the Capital Group ACTION S.A. in restructuring for the period between 1 January 2018 and 30 September 2018.

prepared in a 5-year variant, sufficient to repay the restructuring debt of PLN 200 million, not taking into account the implications of the restructuring proceedings being 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 agreement 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 Action S.A. in restructuring as of 30 September 2018, the Group's entities used short-term loans of PLN 16,298<sup>1</sup> thousand, of which PLN 3,845 thousand (including PLN 3,845 thousand of investment loans) were used by ACTION S.A. in restructuring.

As of 30 September 2018, the Company hedged financing of its operations with its own funds and an investment loan granted by Bank Polska Kasa Opieki S.A., which is being repaid in equal monthly instalments until the end of 2018. The amounts and dates agreed with the Bank are fully performed.

As of 30 September 2018, Action Europe GmbH used the following credit limits:

1. Granted by Deutsche Bank in the amount of EUR 1,900 thousand. In connection with commencing the process of liquidating Action Europe GmbH, the facility was fully repaid in October 2018.
2. Granted by PKO BP with its registered office in Frankfurt (Germany), worth EUR 749 thousand as of 30 September 2018. In connection with commencing the process of liquidating Action Europe GmbH, the facility was fully repaid in October 2018.

The Issuer established provisions for a loan granted to LAPADO GmbH in liquidation on account of a surety granted in the full amount of the loan. However, the loan for which the surety had been granted was partially repaid by the borrower, therefore, the Company's current liability on this account is EUR 1,890 thousand. This liability is subject to the composition agreement by virtue of law.

The Company's liabilities on account of the issue of bonds with a redemption date on 4 July 2017 are subject to the composition agreement by virtue of law, and they cannot be settled prior to the completion of the restructuring proceedings.

The Committee of Creditors of ACTION S.A. in restructuring held a meeting on 11 December 2018, during which the Committee of Creditors adopted Resolutions no. 2 and 3, according to which the Committee of Creditors requested the Manager and the debtor to prepare and then present to the Committee of Creditors an independent expert opinion on: the degree of satisfaction of the Company's creditors, the Company's financial projections, and the possibility of executing the composition agreement.

On 25 April 2018, the Company received final reports from KPMG Advisory spółka z ograniczoną odpowiedzialnością sp.k. ("KPMG") including a summary of the key conclusions from the analysis, i.e. (i) the degree of satisfaction of the Company's creditors; and (ii) the Company's financial projections and the possibility of executing the composition agreement (hereinafter: the "Reports").

The Reports were drawn up as part of the execution of Creditors' Committee Resolutions no. 2/12/2017 and 3/12/2017 of 11 December 2017.

In their conclusions, the Reports confirmed the data provided in current report no. 9/2018. In addition, according to the Reports:

I. the estimated degree of satisfaction of the Company's Creditors:

1. in the scenario providing for concluding a composition agreement with the Company's Creditors and continuing the activity on the basis of modified financial projections, with an estimated value of cash of PLN 200 million, in the case of materialisation of the risk related to the ongoing proceedings in the scope of VAT in the amount of PLN 75.3 million would be 47%, and the degree of satisfaction calculated for the amount of approx. PLN 66,105 thousand arising from VAT proceedings for which final decisions had been issued (a payment requirement) would be 48%.
2. in the scenario providing for declaring the Company bankrupt in the case of materialisation of the risk related to the ongoing VAT proceedings for the amount of PLN 75.3 million, it would be 44% in the liquidation procedure and 58% pursuant to Article 56a (the "Pre-pack"). The degree of satisfaction calculated for the amount of approx. PLN 66,105 thousand arising from VAT proceedings for which a final decisions had been issued (the payment requirement) would be 45% in the liquidation procedure and 60% pursuant to Article 56a (the "Pre-pack").

II. it is clearly stipulated that the Pre-pack variant is a hypothetical variant prepared at the distinct request of the Committee of Creditors expressed in the resolution adopted by the Committee, and that this variant should not be treated as applicable because at the moment of drawing up the Reports, there was no investor interested in acquiring the Company's enterprise.

III. a breakdown of potential cash inflows and potential measures aimed at increasing cash inflows, as part of which the following was presented:

1. potential disinvestments of the Company, consisting of disposing of two properties of the Company for a total amount estimated at PLN 16.13 million, with cash inflows anticipated in 2019/2020-2022; however, the sales plan should include an analysis of the costs of relocating the activity carried out on the premises of one of the above-mentioned properties and its potential impact on the Company's cash flows, the costs of which are not included in the amount specified above; 2. proposals in the scope of business and organisational optimisations; however, KPMG did not engage in preparing and estimating potential business and organisational optimisations;

3. sensitivity analysis for extending payment dates in 2020-2022, providing for gradually increasing creditor days to 30 days in 2022; however, further improvement of terms in this scope is closely related to the preparations and implementation of business and organisational optimisations as well as the Company regaining full credibility. According to the Reports, under such circumstances, it is possible to improve the terms in the above scope, nevertheless, this carries a risk and extra inflows according to the sensitivity analysis may be estimated at up to PLN 54 million.

IV. according to a motion based on the information received and the analyses carried out, it is worth considering a variant where the Company will continue its activity due to the potential for generating the cash flows presented above.

Taking a stance on the above conclusions from the Reports, the Issuer's Management Board announces that in its opinion, according to a responsible analysis of the issues referred to above, carried out in particular from the perspective of a professional boasting several dozen years' experience in carrying out the activity conducted by the Company, the above-mentioned modified variant should be adopted, providing for repaying the Creditors by way of a composition agreement in the total amount of PLN 200 million, as the basis for formulating composition proposals. Taking into account this position, the Company's Management Board indicates that because of the anticipated periods of the above-mentioned disinvestments, and the fact that the costs of relocating the activity in the case of selling the properties have not been taken into account, estimated inflows from these measures cannot be taken into account in the repayment plan. However, the Management Board will carry out the necessary analyses in this scope. Meanwhile, regarding business and organisational optimisations, the Issuer's Management Board underlines that it carries out measures in this respect on an ongoing basis and as part of the execution of the restructuring plan, and that it will not discontinue such measures. However, despite such measures and the fact that the recovery proceedings have been ongoing for two years, the Company has not raised new financing (prepayment still remains the main form of payment in business transactions). For these reasons, the Company's Management Board is sceptical whether the Issuer will achieve the anticipated creditor days as the Company carried out analyses in this scope and it assessed such possibilities at 18 days (compared with 3 days in the original assumptions and being actual creditor days for more than a year), which was taken into account in the modified variant of the financial projections included in the Report. Therefore, in the opinion of the Company's Management Board, increasing this ratio further would be out of touch with the business reality of the Company and its market environment, thus is characterised with a high risk of unattainability.

The amounts presented in the Reports as well as the commentary given on the Company's financial projections and the possibility of performing the composition agreement are estimates; they are subject to change and they are not guarantees or assurances given by KMGP that the Company will attain the estimates specified in the Reports, and they cannot be treated as the fair value of the Company or its assets.

On 30 March 2018, the Management Board of ACTION S.A. in restructuring reported that on 30 March 2018, it decided to start reviewing strategic options concerning investment cooperation regarding the Issuer's subsidiary, ACTION EUROPE GmbH. As part of reviewing strategic options, the Issuer's Management Board assessed the market conditions and possible cooperation forms. In order to ensure proper implementation of the measures described above, the Company cooperated with the following advisers: Crido Corporate Finance Sp. z o.o. and Crido Legal J. Ziólek i Wspólnicy Sp. k. The proposals presented by potential investors regarding cooperation with or acquisition of ACTION EUROPE GmbH were not economically viable for the company ACTION S.A. in restructuring. On 17 September 2018, the

Company decided to finish the above review of strategic options given the fact that the Company had not received a satisfactory bid from a potential investor.

On the above grounds and taking into account the need to perform the provisions of the Restructuring Plan (in the scope of the consolidated activities of the Capital Group ACTION S.A.), on 24 September 2018, the Company's Management Board decided to dissolve ACTION EUROPE GmbH and liquidate it. In the Management Board's opinion, under the present circumstances, this decision was the most appropriate method to carry out restructuring activities with benefits for the Company and its Creditors.

On 4 April 2018, the Company's Management Board decided to open negotiations with the Company's creditors in recovery proceedings with a view to concluding a composition agreement. The negotiations carried out with the creditors will concern issues of key importance for the content of the composition agreement, i.e. in particular the terms and conditions for restructuring the Company's liabilities.

Subsequently, on 27 April 2018, the Company drafted a composition agreement, forming the basis for arrangements with Creditors as part of the negotiating process. The Company published detailed information in this case in current report no. 20/2018 dated 27 April 2018. As a result of talks carried out with the Creditors, the Company modified the draft composition agreement which it had published in current report no. 45/2018 dated 31 August 2018. This draft, after taking into account the Creditors' comments, was submitted on 21 September 2018 at court as the Company's composition agreement proposal (this information was made public in current report no. 49/2018 dated 21 September 2018).

On 25 September 2018, the Committee of Creditors of ACTION S.A. in restructuring, at the Judge Commissioner's request, adopted resolutions in which it presented its opinions regarding whether: a) it is justified to continue the recovery proceedings of ACTION S.A. in restructuring or whether the proceedings should be discontinued in light of information about subsequent reporting periods in which the Company recorded a negative financial result (in particular having regard to the data about the financial result for 2017); b) the proceedings currently underway served the interests of all creditors and whether the Company had a chance to improve its financial performance, making it possible to satisfy creditors through a potential composition agreement to an extent higher than [through] the bankruptcy proceedings.

In accordance with the aforementioned resolutions, the Committee of Creditors concluded that, as regards item a) above, the recovery proceedings should be finalised with immediately convening a meeting of creditors in order to vote on the composition agreement, and as regards item b) above, after such a long period of waiting, creditors should be able to present their views on the issue of concluding a composition agreement. Thus, the Committee of Creditors argues in favour of immediately finalising formalities indispensable to approve the list of claims, and convening a meeting of creditors for the purpose of voting on the composition agreement.

On 25 September 2018, the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, issued a decision pursuant to which the Judge Commissioner, under Article 98 (3) of the Restructuring Law, approved the list of claims submitted by the Manager on 8 December 2016 and the first supplementary list of claims submitted by the Manager on 16 November 2017. Pursuant to the above decision, the Judge Commissioner also modified the list of claims in the scope resulting from the finally recognised objections, i.e. on the basis of Article 96 of the Restructuring Law Act.

On 25 September 2018, the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, issued a decision pursuant to which the Judge Commissioner specified the manner of voting on the composition agreement in the recovery proceedings of the Issuer.

Pursuant to that decision, the composition agreement will be voted on in the following manner:

- 1) without convening a meeting of creditors;
- 2) through notifying all creditors included in the list of claims of the possibility of casting a vote in writing, providing them with: the composition agreement proposals, taking into account Article 117 (1) of the Restructuring Law (hereinafter referred to as the Restructuring Law), information about the division into categories of interests, the manager's opinion on the possibility of performing the composition agreement, a voting card with information about the manner of voting and with a notice of the content of Articles 107-110 (2-5), (113), (115-119) of the Restructuring Law, which shall be carried out in writing, not later than within 21 days as of the date on which this decision is declared legally binding, and shall be carried out by

the manager of the assets subject to the recovery proceedings, who will conduct the procedure of sending out and collecting votes in writing, applying the provision of Article 219 (2) (2) of the Restructuring Law as appropriate;

3) creditors whose claims have been contested will be notified by the manager of the assets subject to the recovery proceedings with an instruction that the Judge Commissioner may permit a creditor whose claims have been contested to take part in the vote; however, a creditor whose claims have been contested ought to submit a request in writing, meeting the formal requirements specified in Article 107 of the Restructuring Law, to permit them to take part in the vote, to the Judge Commissioner not later than within 7 days as of the date on which the creditor was notified by the manager of the assets subject to the recovery proceedings, or otherwise the request will be deemed late.

4) a representative of the Committee of Creditors authorised by the Committee has the right to participate in each stage of the vote;

5) the Manager of the assets subject to the recovery proceedings shall present to the Judge Commissioner, not later than within 3 months as of the date on which this decision is declared to be legally binding, the results, in writing, of voting on the composition agreement proposals, together with the collected voting cards and proof of having delivered the documents from items 2 and 3 of the decision to creditors that had not cast their vote.

The above decision on specifying the method of carrying out the vote on the composition agreement was appealed against by two creditors. Those appeals had not been considered until the preparation date hereof.

On 1 October 2018, the Company's creditors having more than 30% of total claims covered by the recovery proceedings filed their own composition agreement proposals with the court. The Issuer published the content of that document in current report no. 55/2018 of 2 October 2018.

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 obligations arising from the provisions of law in the scope of drawing up the recovery documentation have been or are performed in accordance with applicable deadlines. In the course of the proceedings, in addition to the restructuring plan, the following documents were prepared: an inventory of the assets to be restructured (in accordance with Article 296 of the Restructuring Law); a list of claims and a list of disputed claims (in accordance with Articles 76–87 of the Restructuring Law); periodic reports on activities and the accounting reports of the Manager (in accordance with Articles 31 and 32 of the Restructuring Law).

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

From the beginning of the recovery proceedings to the moment the statements were prepared, to the knowledge of the Management Board, the Company was served 24 objections, to which the Company replied, and examined six 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 of 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 fifth 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. By way of the

decision dated 14 September 2018, the above objection was considered in favour of the appellant almost entirely, which results in increasing the amount of claims included in the list of claims by the amount of PLN 29,115 thousand. The decision in this case is final. The proceedings in the case of the sixth objection were discontinued in connection with the creditor's statement on having withdrawn the objection. As a consequence of that decision, the claim being the object of the appeal remains unchanged with respect to its scope indicated in the list of claims.

In connection with the court decisions dated 25 September 2018 described above, the next stage of the restructuring proceedings will involve voting on the composition agreement. Taking into account the dates outlined in the decision regarding the manner of voting on the composition agreement, it should be recognised that the results of the creditors' vote can be known within 3 months as of the date when that decision become legally binding. However, given the fact that the decision has been appealed against, it is impossible to specify when the vote on the composition agreement will end. In the Issuer's opinion, it is likely that all of the above appeals will have been considered by the end of 2018. In such a situation, it would be possible to enter into a composition agreement with the creditors at the turn of the first and second quarters of 2019.

It must also be stressed that the completion of the recovery 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) of the Restructuring Law and 327 (1) of the Restructuring Law). Regardless of the content of such decisions, the period for them to become final is, in the ordinary course of activities, over 6 months.

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 2019 which would justify a discontinuation of the recovery proceedings and an early termination of the restructuring period against the Company's will. This thesis is corroborated in particular by the aforementioned resolutions of the Committee of Creditors dated 25/09/2018 and the court decisions dated the same that indicate that there are grounds to carry out recovery proceedings and to vote on the composition agreement. In light of the above estimates, it is also possible that a composition agreement in the recovery proceedings of the Company will have been concluded by the aforementioned date. A high probability that this event will occur is also a circumstance making it possible to present a view that the Company will continue as a going concern at least in the period of 12 months as of the balance sheet date.

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

The Company monitors all deviations of the forecast from the actual data on an ongoing basis as well as its potential impact on the figures presented in the current assumptions in this scope. The arrangements made so far with most suppliers enable the 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 updated version of the forecast for 2018-2024 initially included in the Restructuring Plan was drawn up by the Company's Management Board under the assumption that the Company would continue as a going concern during the restructuring proceedings and in the course of the implementation of the composition agreement with the creditors. However, the forecast was prepared for the separate data of ACTION S.A. in restructuring. The Company verifies the above values on an ongoing basis and, should any material deviations occur, it will modify the forecast.

The Management Board also places an emphasis on increasing the margin on sales and the sales volume. Funds raised this way will be used to successively repay liabilities during the period of performing the composition agreement.

Despite the net losses posted in 2016-2017, the projected cash flows (cash inflows) will make it possible to fully cover the current, financial and commercial costs, an effect of which is that at the end of the forecast period, the Company will collect the funds necessary to continue operating and to repay PLN 200 million of restructuring debt.

The value of the equity capitals of ACTION S.A. in restructuring as of the end of the third quarter of 2018 was PLN 98,540 thousand.

The estimated equity capitals of the Company are as follows: PLN 104,262 thousand at the end of 2019, PLN 114,139 thousand at the end of 2020, PLN 124,702 thousand at the end of 2021, PLN 134,067 thousand at the end of 2022, PLN 143,501 thousand at the end of 2023, and PLN 152,809 thousand at the end of 2024.

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 as the risks identified therein (substantially equivalent to the risks to the Company's business in general).

The Company is of the opinion that, as of the date hereof, there are 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 will 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 1 January 2018 to 30 September 2018 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union, in particular in accordance with International Accounting Standard 34 *Interim Financial Reporting* applicable hereto. As of the approval date of these financial statements for publication, in terms of the accounting principles applied by the Group, there are no differences between the IFRS which are already in effect and the standards and interpretations approved by the European Union.

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

## **2.4. Material accounting principles**

The accounting policies applied to prepare these interim condensed consolidated financial statements for Q3, 2018 are consistent with those applied to prepare the annual consolidated financial statements for 2017.

The same principles were applied to the current period and the comparative period. A detailed description of the accounting principles adopted by the Capital Group ACTION S.A. in restructuring is presented in the annual consolidated financial statements for 2017 published on 27 April 2018.

## **2.5. Presentation currency, transactions in foreign currencies and measurement of items denominated 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 the Polish zloty (PLN). Unless indicated otherwise, all figures are stated in thousands of PLN.

### **Principles applied to translation of financial data**

The financial data in the financial statements of ACTION EUROPE GmbH and LAPADO Handelsgesellschaft GmbH in Liquidation, denominated in the euro, were translated as follows:

– individual items of the statement of financial position were translated at the average exchange rate published by the National Bank of Poland in force as of the balance sheet date; as of 30 September 2018 this exchange rate stood at: EUR 1 = PLN 4.2714, as of 31 December 2017: EUR 1 = PLN 4.1709, and as of 30 September 2017: EUR 1 = PLN 4.3091;

– individual items of the statements of comprehensive income and cash flows statements were translated at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month; for the three quarters of 2018, the exchange rate stood at: EUR 1 = PLN 4.2535; for the three quarters of 2017: EUR 1 = PLN 4.2566.

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

– individual items of the statement of financial position were translated at the average exchange rate published by the National Bank of Poland in force as of the balance sheet date; as of 30 September 2018, this exchange rate stood at: CNY 1 = PLN 0.5342, as of 31 December 2017: CNY 1 = PLN 0.5349, and as of 30 September 2017: CNY 1 = PLN 0.5495;

– individual items of the statements of comprehensive income and cash flows statements were translated at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month; for the three quarters of 2018, the exchange rate stood at: CNY 1 = PLN 0.5463; for the three quarters of 2017: CNY 1 = PLN 0.5600.

## **3. Major estimates and judgements**

The preparation of the consolidated financial statements requires that the Management Board makes 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 of 30 September 2018 may be subject to adjustments in the future.

The areas for which the estimates made, as of the reporting date, carry a risk of material adjustments of the carrying value of the assets and liabilities declared in the next or subsequent financial years are presented hereinbelow.

### **3.1. Use periods of property, plant and equipment and of intangible assets**

As of 30 September 2018, the Group's companies estimated the use periods of property, plant and equipment and of intangible assets. The analysis did not demonstrate the necessity to make any adjustments in this area.

### **3.2. Impairment of goodwill and other intangible assets in subsidiaries**

As of 30 September 2018, the Group's companies 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 indications that would validate the need to recognise any additional impairment losses.

### **3.3.Taxes**

Given the complexity of the tax law, inconsistent tax interpretations and far-reaching 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 in the short term, provided that taxable income is generated at a level that allows these amounts to be settled.

Like many other entities in the IT sector, ACTION S.A. in restructuring is subject to intense fiscal inspections and explanatory proceedings, particularly in the area of the correctness of VAT settlements. At present at the Company there are inspection proceedings ongoing in the scope of the accuracy of the declared tax bases and the correctness of calculating the corporate income tax and paying it to the state budget, and also two inspections in the scope of the accuracy of declared tax bases and the correctness of calculating and paying the goods and services tax. The inspection proceedings and inspections cover selected months from 2008, 2009, 2015, and 2016.

In connection with one of the finalised inspections in the scope of VAT for December 2008, with the value of the object of dispute of PLN 6,352 thousand (including default interest, this amount is PLN 6,889 thousand), the Provincial Administrative Court in Warsaw, by way of the decision dated 13/04/2018 (issued after reconsidering the case as a result of a ruling of the Supreme Administrative Court dated 18/12/2017), fully revoked the Tax Chamber's decision to uphold the decision of the Tax Audit Office. ACTION S.A. in restructuring has paid the amounts resulting from the above-mentioned decision of the Tax Audit Office in full and recognised them in the financial result.

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.

On this basis, the Head of the Tax Office in Olsztyn established a tax liability on account of VAT for the 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, amounting to PLN 29,115 thousand). The decision in question was upheld by a decision of the Head of the Tax Chamber in Warsaw of 24/10/2016 (as announced by the Company in current report no. 56/2016 of 7/11/2016). On 7 December 2016, the Company filed an appeal against the above decision with the Provincial Administrative Court, which dismissed the Company's appeal for substantive reasons. In connection with the above, the Company appealed against that decision to the Supreme Administrative Court.

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.

On this basis, the Head of the Tax Office in Warsaw established a tax liability on account of VAT for the individual months in that period and found that the Company artificially increased input VAT to be deducted in the total amount of PLN 36,639 thousand (with late payment interest, amounting to PLN 36,989 thousand). An appeal was filed against that decision with the Head of the Tax Administration Chamber, which, by way of a decision of 14/03/2018, upheld the decision of the body of first instance that had been appealed against. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw.

On 4 January 2018, a decision was issued by the Head of the Mazovian Customs and Tax Office in Warsaw on the basis of which he questioned the amount of input VAT charged for the period from August to December 2010 in the amount of PLN 3,442 thousand. The Company filed an appeal against that decision, which was not recognised, as by way of the decision dated 20 April 2018, the head of the Tax Administration Chamber in Warsaw upheld the decision that had been appealed against. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw.

The three above 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. The Company does not recognise these claims because it acted in accordance with the law and it was not aware of any third party irregularities in earlier transactions on goods. The Company properly performed its regulatory obligations under the disputed decisions. In the last few years, the Company has paid to the State Treasury more than PLN 500 million and more than PLN 100 million worth of VAT and CIT respectively.

The Company takes the stance that in no way can it be currently held accountable for the tax irregularities of third parties that occurred through no fault of its own.

The Company paid the above decisions and recognised them in costs or established cost provisions in the full amount of the amounts questioned together with interest thereon.

On 28 June 2018, the Company received an inspection result finalising the inspection proceedings carried out by the head of the Mazovian Customs and Tax Office in Warsaw. The inspection covered verifying the accuracy of the declared tax bases and the correctness of the calculation and payment of the goods and services tax for the period from August 2014 to March 2015. The inspection results conclude that there are no grounds for refusing the right to reduce the amount of output tax by the tax calculated in the aforementioned inspection period.

On 28 June 2018, the Company received an inspection result finalising the inspection proceedings carried out by the head of the Mazovian Customs and Tax Office in Warsaw. The inspection covered verifying the accuracy of the declared tax bases and the correctness of the calculation and payment of the goods and services tax for May 2012. The inspection result concludes that there are no grounds for refusing the right to reduce the amount of output tax by the tax calculated in the aforementioned inspection period.

On 4 July 2018, the Company received three inspection results finalising the inspection proceedings carried out by the head of the Mazovian Customs and Tax Office in Warsaw. The inspection covered verifying the accuracy of the declared tax bases and the correctness of the calculation and payment of the goods and services tax for the following periods: March 2014, April 2014 and July 2014. The inspection results conclude that there are no grounds for refusing the right to reduce the amount of output tax by the tax calculated in the aforementioned inspection periods.

The Company always exercised due care when concluding transactions, exercised caution when establishing cooperation, and acted in good faith in accordance with the procedures in force at the Company and high cooperation standards. In the Company's opinion, these circumstances are corroborated by the recently received inspection results referred to above. Therefore, in the opinion of the Management Board of the Parent Company, the probability that the ongoing inspections and appeal proceedings will yield a negative final outcome remains low.

Due to the settlement periods covered by all of the inspections that had been initiated and the proceedings after appealing against tax decisions as well as the substance of Article 150 (1) (1) of the Restructuring Law, any receivables that may arise as a consequence of those inspections and inspection proceedings are subject to the composition agreement by virtue of law, excluding one inspection in the scope of the accuracy of the tax bases declared as well as correct calculation and payment of the goods and services tax for the period between November 2016 and December 2016. The value of potential liabilities resulting from ongoing inspections cannot be estimated.

At the Issuer's subsidiary, SFK Sp. z o.o. in bankruptcy, with its registered office in Kraków, all tax inspections were successfully completed. The receiver of SFK Sp. z o.o. in bankruptcy received a refund of outstanding tax liabilities, which made it possible to stop measures related to liquidating assets of the bankrupted company and convene a meeting of creditors with a view to voting on a composition agreement in the bankruptcy proceedings of SFK Sp. z o.o. in bankruptcy. A vote in this case took place on 9/05/2018, as a consequence of which a composition agreement was adopted that was approved by way of a court decision dated 18/05/2018. This decision became final and the receiver of SFK Sp. z o.o. in bankruptcy performed the composition agreement in accordance with the content thereof. On the basis of two court rulings dated 15/10/2018, it was decided to finalise the bankruptcy proceedings with respect to SFK sp. z o.o. in bankruptcy and it was concluded that the aforementioned composition agreement had been performed. The Issuer had not received a statement recognising that the aforementioned rulings are legally binding until the preparation date hereof.

### **3.4. Employee benefits**

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

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

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

### **3.6. Write-downs on receivables**

The Group's companies update the value of their receivables on an ongoing basis taking into account the probability of their payment by means of appropriate write-downs. The 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 on business segments**

Since 1 January 2010, the Capital Group 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 it to make revenues and incur costs;
- whose operating results are regularly reviewed by the chief body in charge of making operating decisions in the entity and which uses these results while making decisions on allocating resources to the segment;
- for which separate financial information is available.

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

- sales revenues earned from that business exceed 91% of the revenues in total 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 sales 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 a significant seasonal or cyclical nature of sales revenues.

### 5.2. Sales revenues

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

	For the period 01/01/2018 – 30/09/2018	For the period 01/01/2017 – 30/09/2017
Revenues from sales of products (services)	8,817	15,866
Revenues from sales of goods and materials	1,178,955	1,186,960
	<b>1,187,772</b>	<b>1,202,826</b>

### 5.3. Costs by type

	For the period 01/01/2018 – 30/09/2018	For the period 01/01/2017 – 30/09/2017
Depreciation of fixed assets and intangible assets	6,822	7,622
Costs of employee benefits	45,510	50,091
Consumption of materials and energy	5,479	5,076
Outsourced services	43,101	47,046
Taxes and charges	1,282	2,008
Advertising expenses	4,817	8,269
Non-life and life insurance	369	576
Other costs by type	519	1,397
Costs of products, goods and materials sold, of which:	1,098,998	1,117,900
- write-down on inventories	-110	6,920
Total costs of products, goods and materials sold, selling and marketing expenses, general and administrative expenses	<b>1,206,897</b>	<b>1,239,984</b>

## 5.4.Costs of employee benefits

	For the period 01/01/2018 –	For the period 01/01/2017 – 30/09/2017
Payroll	38,457	42,500
Social security and other payments	7,053	7,591
	<b>45,510</b>	<b>50,091</b>

## 5.5.Other operating revenues and profits

	For the period 01/01/2018 –	For the period 01/01/2017 – 30/09/2017
Net foreign exchange gains	0	1,466
Revenues from the measurement of financial instruments	0	0
Interest revenues	1,187	1,255
Revenues from overdue liabilities	56	78
Revenues from compensations received	451	313
Income from provisions released	6,010	189
Revenues from donations received	0	46
Other revenues	777	262
Gain on disposal of non-financial financial assets	0	50
Gain on disposal of interest in a subsidiary	0	23
Gain on disposal of non-financial non-current assets	0	19
	<b>8,481</b>	<b>3,701</b>

## 5.6.Other costs and losses

	For the period 01/01/2018 – 30/09/2018	For the period 01/01/2017 – 30/09/2017
Surplus of exchange rate losses	85	29
Costs due to compensations paid	375	463
Costs due to measurement of financial instruments	0	213
Costs due to write-downs on receivables	1,574	700
Costs due to write-offs of receivables	2,068	17
Costs due to commercial interest	0	144
Costs of court proceedings	328	311
Costs due to provisions established	178	9,673
Costs due to write-downs on financial assets	0	498
Costs due to donations given	0	0
Loss on disposal of non-financial fixed assets	492	699
Other costs	54	65
	<b>5,154</b>	<b>12,812</b>

## 5.7. Financial expenses

	For the period 01/01/2018 – 30/09/2018	For the period 01/01/2017 – 30/09/2017
Interest on loans and borrowings	386	1,729
Interest on leases	86	127
Interest and discount on factoring	0	0
Interest on bonds	0	1,636
	<b>472</b>	<b>3,492</b>

## 5.8. Income tax

	For the period 01/01/2018 –	For the period 01/01/2017 – 30/09/2017
Current tax	0	17
Deferred tax	74	209
	<b>74</b>	<b>226</b>

### Deferred tax

Values of the deferred income tax subject to off-setting are as follows:

	30/09/2018	31/12/2017
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	5,341	4,791
	<b>5,341</b>	<b>4,791</b>
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	5,390	4,850
	<b>5,390</b>	<b>4,850</b>
<b>Deferred income tax assets</b>	<b>5,390</b>	<b>4,850</b>
<b>Deferred income tax provisions</b>	<b>49</b>	<b>59</b>
<b>Deferred income tax assets/provisions (on balance)</b>	<b>-49</b>	<b>-59</b>

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

	30/09/2018	31/12/2017
<b>Opening balance</b>	<b>-59</b>	<b>1,549</b>
Credit to/charge on the financial result	-74	-1,538

Increase/decrease of equity	84	-70
<b>Closing balance</b>	<b>-49</b>	<b>-59</b>

## 5.9. Property, plant and equipment

In the period covered by the report, the Group did not incur any material capital expenditures.

## 5.10. Investment property

Investment property comprises:

- acquired rights of perpetual usufruct of land,
- ownership titles to buildings with the initial value totalling PLN 3,545 thousand.

As of 30 September 2018, the carrying amount of property amounts to PLN 3,545 thousand. Rental income from property amounted to PLN 140 thousand during the reporting period. Property is measured at the acquisition price.

The estimated fair value from an independent measurement (level III of fair value estimation) of that property is PLN 6,792 thousand.

As of the date of drawing up these financial statements, there were no restrictions in place as to the use of investment property by the Company, obtaining rent-related economic benefits or disposal of the aforesaid property.

Investment property does not constitute security for liabilities due to loans, borrowings or other transactions.

## 5.11. Inventories

	30/09/2018	31/12/2017	30/09/2017
Materials	0	0	0
Goods	139,173	139,435	177,997
Advances for deliveries	0	0	0
	<b>139,173</b>	<b>139,435</b>	<b>177,997</b>
Write-downs on inventories	-4,197	-4,087	-2,514
<b>Inventories</b>	<b>134,976</b>	<b>135,348</b>	<b>175,483</b>

### Write-downs on inventories

	30/09/2018	31/12/2017	30/09/2017
<b>Opening write-down on inventories</b>	<b>-4,087</b>	<b>-9,433</b>	<b>-9,433</b>

Created (Costs of products, goods and materials sold)	-110	0	-287
Utilised	0	5,346	6,783
Released (Costs of products, goods and materials sold)	0	0	423
<b>Closing write-down on inventories</b>	<b>-4,197</b>	<b>-4,087</b>	<b>-2,514</b>

## 5.12. Write-downs on trade and other receivables

	30/09/2018	31/12/2017	30/09/2017
<b>Opening write-downs on receivables</b>	<b>-18,811</b>	<b>-15,950</b>	<b>-15,950</b>
Created	-1,643	-3,584	-735
Utilised	233	244	148
Released	69	479	35
<b>Closing write-downs on receivables</b>	<b>-20,152</b>	<b>-18,811</b>	<b>-16,502</b>

## 5.13. Loans, borrowings and other financing liabilities

	30/09/2018	31/12/2017	30/09/2017
<b>Non-current</b>			
Investment loan	0	989	2,884
Lease liabilities	0	4,708	5,476
Borrowings	0	0	0
Liabilities due to bonds	0	0	0
	<b>0</b>	<b>5,697</b>	<b>8,360</b>
<b>Current</b>			
Overdraft and investment loan	16,298	28,089	49,698
Lease liabilities	5,482	2,448	2,539
Borrowings	1,009	1,009	1,000
Liabilities due to bonds	103,200	103,200	103,200
	<b>125,989</b>	<b>134,746</b>	<b>156,437</b>
<b>Total</b>	<b>125,989</b>	<b>140,443</b>	<b>164,797</b>



## Ageing structure of liabilities arising from loans, borrowings and other financial liabilities

	30/09/2018	31/12/2017	30/09/2017
<b>Liabilities with the repayment period calculated from the balance sheet day</b>			
Up to 1 year	125,989	134,746	156,437
1 to 5 years	0	5,697	8,360
Over 5 years	0	0	0
<b>Total</b>	<b>125,989</b>	<b>140,443</b>	<b>164,797</b>

## Lease liabilities

	30/09/2018	31/12/2017	30/09/2017
<b>Nominal value of minimum lease fees</b>			
Up to 1 year	5,551	2,575	2,681
1 to 5 years	0	4,744	5,540
Over 5 years	0	0	0
<b>Total financial lease liabilities - total minimum lease fees</b>	<b>5,551</b>	<b>7,319</b>	<b>8,221</b>
Financial expenses due to financial lease	69	163	206
<b>Current value of minimum lease fees</b>			
Up to 1 year	5,482	2,448	2,539
1 to 5 years	0	4,708	5,476
Over 5 years	0	0	0
<b>Total current value of minimum lease fees</b>	<b>5,482</b>	<b>7,156</b>	<b>8,015</b>

## 6. Contingent assets and liabilities

As of 30 September 2018, the Group had contingent receivables due to the repayment of receivables of PLN 9,402 thousand. Security liabilities under agreements signed as of the reporting date which are not reflected in the Group's interim consolidated condensed financial statements amounted to PLN 11,866 thousand as of 30 September 2018, and PLN 9,526 thousand as of 31 December 2017.

	30/09/2018	31/12/2017	30/09/2017
<b>1. Contingent receivables</b>	<b>9,402</b>	<b>10,850</b>	<b>10,880</b>
1.1. From other entities (due to)	9,402	10,850	10,880
- guarantees and sureties received	9,402	10,850	10,880
<b>2. Contingent liabilities</b>	<b>11,866</b>	<b>9,526</b>	<b>8,239</b>
1.1. To other entities (due to)	11,866	9,526	8,239

- guarantees and securities granted	11,866	9,526	8,239
- letters of credit	0	0	0
<b>3. Other (due to)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total off-balance sheet items</b>	<b>21,268</b>	<b>20,376</b>	<b>19,119</b>

## 7. Events after the balance sheet day

On 2 October 2018, the Management Board of ACTION S.A. in restructuring became aware of the fact that on 01/10/2018 the Company's creditors filed, with the District Court for the Capital City of Warsaw in Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, draft composition agreements pursuant to Article 155 (2) of the Restructuring Law. The Management Board, comparing the parameters of the draft composition agreements submitted by the Company's creditors against the assumptions of the Company's financial projections analysed by KMPG at the creditors' request and the results of that analysis, on which the Management Board reported in current reports, recognised the aforementioned draft composition agreements as unenforceable.

On 04/10/2018 (and on 31/10/2018) the Management Board of ACTION S.A. in restructuring became aware of the fact that on 03/10/2018 and on 11/10/2018 appeals had been filed about the decision of the District Court for the Capital City Warsaw in Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, dated 25/09/2018 pursuant to which the Judge Commissioner specified the manner of voting on the composition agreement in the recovery proceedings.

Until the appeals specified above are considered, the decision appealed against will not become final and it cannot be enforced. As a consequence, this prevents the immediate implementation of measures aimed at voting on the composition agreement.

On 19/10/2018, the Management Board received a decision of the District Court for Kraków-Śródmieście in Kraków, 8th Commercial Division for Bankruptcy and Restructuring, dated 15/10/2018 on having finalised the bankruptcy proceedings of SFK sp. z o.o. (a subsidiary).

On 24 October 2018, the Management Board of ACTION S.A. in restructuring reported on having updated the financial forecast dated 24/11/2017 (presenting the financial forecast for the period of Q4, 2017-2022), including modifying the period covered by it. In the Company's opinion, it was necessary to update the forecast due to the protracting recovery proceedings and events that occurred after the previous forecast had been published and that had an impact on it being up-to-date. In particular, such events included the commenced liquidation of ACTION Europe GmbH (a subsidiary) and its estimated impact on the Company's financial standing. In addition, it became necessary to take into account in the forecast the repayment of PLN 202 million as part of the execution by the company of the draft composition agreements dated 21/09/2018 proposed by it as well as data on the execution of the previous forecast. The modified financial forecast took into account repayments to be made by the Company during the execution of the composition agreement on the terms and conditions specified in the draft composition agreements dated 21/09/2018. Taking into account this circumstance as well as the envisaged period for the execution of the composition agreement, the forecast covered the period from Q3, 2018 to 2024.

On 26 October 2018, the Management Board of ACTION S.A. in restructuring reported that on 25/10/2018 the manager of Action S.A. in restructuring had filed a second supplementary list of claims with the District Court for the Capital City of Warsaw, 10th Commercial Division for Bankruptcy and Restructuring. The total of all claims presented in the second supplementary list of claims is PLN 342,271.14. It became necessary to file these documents due to a disclosure of claims that had not been previously included in the list of claims, in accordance with the provision of Article 100 (1) of the Restructuring Law Act.

### 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 related thereto

	Q3, 2018	Q3, 2017
<b>Net sales</b>	<b>407,291</b>	<b>408,003</b>
<b>Gross profit on sales</b>	<b>27,410</b>	<b>27,979</b>
<i>gross margin</i>	6.73%	6.86%
<b>EBIT</b>	<b>-9,133</b>	<b>-5,354</b>
<i>EBIT margin</i>	-2.24%	-1.31%
<b>Net loss</b>	<b>-8,099</b>	<b>-5,483</b>
<i>net margin</i>	-1.99%	-1.34%

In Q3, 2018, the Group generated sales revenues of PLN 407,291 thousand, which is similar to the sales recorded in the corresponding period a year earlier. In that period, the Group recorded a profit on sales of PLN 27,410 thousand and an operating loss of PLN 9,133 thousand. The net loss of the Capital Group of ACTION S.A. in restructuring in Q3, 2018 amounted to PLN 8,099 thousand. The Group generated a gross margin on sales of 6.7%, which is similar to the margin recorded in the corresponding quarter of last year.

In the opinion of the Management Board of ACTION S.A. in restructuring, the results for Q3, 2018 were affected mainly by the ongoing restructuring and the associated limitation of the ability to borrow. Factors resulting from a very difficult and demanding market environment as well as a shortage of breakthrough innovations in the sector are not insignificant either.

Positive effects of the Group's management strategy include generating, in the second quarter of 2018, a gross margin of PLN 27,410 thousand and maintaining it at a similar level as in the corresponding period of the preceding year.

By the end of 2018, the Group anticipates:

- a further reduction of costs resulting from optimisation of the processes taking place at the Group,
- an increased demand for the goods offered by the Group's entities, mainly in connection with the increased demand in the winter period,
- to acquire new business partners and products to meet the current demand,

To increase the number of customers as well as develop the retail channel and the Sferis channel.

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

During the first three quarters of 2018, the most significant factor having an impact on the performance of the Capital Group ACTION consisted of the ongoing restructuring proceedings at the Issuer's Company, as well as the consequences thereof. The most significant unfavourable events include:

- No insurance of credit limits by insurers for all entities of the ACTION Capital Group, which marginalised the value of deliveries performed on the basis of trade credit and at the same time shifted the burden of financing subsidiaries onto the Parent Company.
- A significant reduction of credit limits available and renewing some of them only subject to cash security.
- Termination of distribution agreements by certain suppliers.
- Current and anticipated costs related to the liquidation of ACTION Europe GmbH.

## **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 Subsection 3 of the Bonds Act (private placement) and as part of the Bonds Issue Programme of ACTION S.A. in restructuring.

The issue price of the Bonds was equivalent to their nominal value. The redemption date of the bonds was set for 4 July 2017 at the nominal value. The bonds bear interest at a variable interest rate based on WIBOR 6M, augmented by a fixed margin. Interest will be paid every six months.

The series ACT01040717 bonds were admitted to trading on the CATALYST market operated as an alternative trading system by BondSpot. S.A. The first trading took place on 9 September 2014.

The Issuer announces that, due to its ongoing recovery proceedings, the claims due to the redemption of and interest on series ACT01040717 bonds which mature after the opening date of the recovery proceedings:

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

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

#### 4. Information on dividend paid out/declared

In 2017, 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

In current report no. 59/2018 of 24/10/2018, the Company published an updated financial forecast of the Company. This forecast is for the standalone statements, it covers the period of 2018-2024 and it was drawn up for the purpose of the ongoing restructuring proceedings. Compared to the forecast, the standalone results for the third quarter of 2018 are better, which results from the release of the provisions for receivables from the liquidated company SFK, which is a unit of the Action group.

#### 6. Effects of changes in the Group's structure

There were no changes in the Group's structure in the period covered by the report.

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

According to information available to the Company, the shareholders holding at least 5% of total votes at the AGM as of the submission date of the previous report for H1, 2018, i.e. 1 October 2018, were:

Natural or legal person	Number of shares held	% share in the capital of ACTION S.A. in restructuring	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%

The composition of shareholders holding more than 5% of shares in the share capital as of the date of preparation of this report for Q3, 2018, i.e. 29 November 2018, remained unchanged and it was as follows:

Natural or legal person	Number of shares held	% share in the capital of ACTION S.A. in restructuring	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%

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

As of the day of publishing the statements for H1, 2018, i.e. 1 October 2018, managing and supervising persons held the following shares in ACTION S.A. in restructuring:

First and last name	Position in the authorities 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
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 Proxy	1,199,390
Andrzej Biały	Commercial Proxy	14,323

According to the information held by the Company, as of the date of the publication of this current report for Q3, 2018, i.e. 29 October 2018, the above composition changed, and is as follows:

First and last name	Position in the authorities 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
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 Proxy	1,199,390
Andrzej Biały	Commercial Proxy	15,323

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

The Company has instituted litigation to recover PLN 1,558 thousand of receivables from one of its counterparties on account of an agreement for the sales of goods. 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. The proceedings were instituted in March 2017. However, the debtor requests to set off its claims on account of contractual penalties 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 or on any other legal sources. Court proceedings, instituted in May 2016, concerning the opposite claims in the amount of PLN 26,700 thousand are also pending.

The Company has also instituted court proceedings to recover PLN 174,446 thousand worth of receivables from one of the banks as compensation. The bank sued does not recognise the claim. The proceedings were instituted in April 2017.

Court proceedings instituted by a civil action brought by one of the Company's counterparties, whose claims are covered by the composition agreement and included in the list of claims, are also ongoing against the Company. This creditor is questioning the counter-claims of the Company; however, it did not raise an objection to the list of creditors and at present it is pursuing its claims in the manner described. The value of claims subject to the dispute is PLN 3,872 thousand. The proceedings were instituted in October 2017. In connection with the fact that the parties entered into an agreement during mediation proceedings, court proceedings in this case should be discontinued.

The court proceedings regarding the aforementioned cases are still at an early stage of processing, and it is difficult to specify when they might be finalised, mainly due to their considerable complexity. Analyses of the above cases carried out so far indicate that there are justified grounds for the Company to bring them and for effective undermining of the counter-claims described herein.

As of the date hereof, the Company awaits further actions from the tax authority in connection with the positive decision of the Supreme Administrative Court of December 2017 and the Provincial Administrative Court in Warsaw, revoking the decision of the Head of the Tax Chamber, of April this year concerning VAT for December 2008. The total value of the subject of the dispute is PLN 6,352 thousand (including default interest this amount is PLN 6,889 thousand), the Company expects a positive resolution of these cases, partly due to the aforementioned positive court decisions. ACTION S.A. in restructuring has paid the amounts resulting from the above-mentioned decision of the Tax Audit Office in full and recognised them in the financial result.

The Company also filed a complaint with the Supreme Administrative Court in Warsaw (in connection with dismissing for substantive reasons the Company's complaint by the Provincial Administrative Court in Warsaw in December 2017) in relation to the previously received decision of the Head of the Tax Chamber concerning VAT for individual months from July 2011 to January 2012. The total value of the subject of dispute is PLN 22,564 thousand (with late payment interest, amounting to PLN 29,115 thousand).

In addition, the Company also filed appeals with the Provincial Administrative Court in Warsaw against final decisions of the tax authorities regarding the goods and services tax for the following periods: a) January and February 2013 (the value of the object of dispute is PLN 36,639 thousand (with default interest,

amounting to PLN 36,989 thousand)); b) from August to December 2010 (the value of the object of dispute is PLN 3,442 thousand).

The Company took write-downs totalling PLN 69,547 thousand on the receivables resulting from the tax decisions appealed against.

In the Management Board's opinion, due to ongoing court proceedings involving the Group's companies, encumbrances and increments can arise in the scope of the amounts specified above as values of the objects of particular disputes.

The Issuer also reports that in "3.3 Taxes", it reported the current information regarding significant tax proceedings.

The Issuer also clarifies that, as the criterion of the significance of proceedings is not regulated in the applicable provisions, based on internal regulations, the Company adopts as a matter of principle that significant proceedings are proceedings the value of which reaches at least the amount of 10% of the Issuer's equity capitals. However, this is not the only criterion, and the Management Board also assesses the significance of proceedings on the basis of other circumstances, such as the object of the proceedings and the relation thereof to activities and also the impact thereof on carrying out activities, which the Management Board has expressed in this note.

#### **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 significant**

Hedging liabilities (guarantees, sureties and letters of credit) with respect to third parties, arising from contracts signed as of 30 September 2018, amounted to PLN 11,866 thousand. The share of guarantees and sureties to one entity granted in the Company's equity did not exceed 10% and is not significant. Guarantees and sureties granted are described in Note 6 of the *Notes on the condensed consolidated financial statements – Continent assets and liabilities*.

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

By the end of 2018, the Company will be undertaking a range of post-consolidation measures aimed at adjusting the employment structure to its current needs. These measures will be implemented mainly by



reducing the number of FTEs, combining powers and tightening the organisational structure. More detailed information on the assessment of the economic and financial situation as well as the financial result and also on the assessment of the possibility of performing obligations is included in Section 2.2. *Going concern*.

### **13. Factors affecting the Group's results by the end of 2018**

During the remainder of 2018, the course of the restructuring proceedings of the Parent Company will still be the most essential factor having an impact on the Group's performance. All factors of both an internal and external nature will depend mainly on the course of events during the restructuring proceedings.

#### **Internal factors**

1. Ongoing analysis of progress in the implementation of the restructuring plan and the effects of the changes implemented.
2. Ongoing analysis of the profitability of the transactions and markets served, with a clear focus on the small customer market and retail market, in particular e-commerce, in Poland and abroad.
3. Ongoing supervision over the scope of commercial offers and entering new markets.
4. Strict verification of the effectiveness of current assets management, including inventories management in particular.
5. Effects of the initiation of the liquidation of ACTION Europe GmbH.
6. Further growth of ActionMed Sp. z o.o and ACTION (Guangzhou) Trading Co. Ltd.
7. Ongoing monitoring of the risks related to the activities of the Group entities and undertaking measures to limit or eliminate these risks.
8. Ongoing analysis and strict control of cost efficiency of the activities performed.
9. Ongoing control and effective management of finances with the limited financing available.
10. Effective utilisation of available logistics resources.

#### **External factors**

1. Progress of the restructuring proceedings, including in particular the dates of key decisions taken by the Court, the Committee of Creditors, the Manager and other parties to the restructuring proceedings.
2. Further progress in the fiscal proceedings conducted against ACTION S.A. in restructuring and appeal proceedings connected therewith.
3. Results of the fiscal proceedings conducted against the largest domestic competitors of the Group's entities and their influence on their operating activities and the market structure.
4. The behaviour of financial institutions, including banks and insurers, towards the results of fiscal proceedings pending in the industry.
5. Changes on the distribution market and in consumer behaviour.
6. Technological changes in the product portfolio.
7. Changes in market shares of the largest suppliers and recipients of the Parent Company of the ACTION Capital Group.
8. The economic and political situation in Poland and worldwide.
9. The pro-social policy of the government.
10. The scale of investments implemented in Poland, in particular IT-related investment projects.
11. Changes in the current and long-term monetary policy in Poland and globally.
12. The level of demand for goods offered by the entities of the ACTION Capital Group.

## 14. Transactions with related parties

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

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

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

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

Data as of 30 September 2018 and for the period from 01/01/2018 to 30/09/2018

	Receivables	Liabilities	Sales revenues	Purchases and costs
ACTION CT WANTUŁA Sp. j. *	0	0	0	0
ACTIVE TRAVEL Sp. z o. o. **	0	10	0	97
ACTIVE SOLUTIONS Sp. o. o. ***	0	0	0	7
ACTION ENERGY Sp. z o. o. ****)	2,145	130	5,121	89
TYTANID Sp. z o.o. *****	0	0	0	0
<b>Total</b>	<b>2,145</b>	<b>140</b>	<b>5,121</b>	<b>193</b>

Data as of 30 September 2017 and for the period from 01/01/2017 to 30/09/2017

	Receivables	Liabilities	Sales revenues	Purchases and costs
ACTION CT WANTUŁA Sp. j. *	0	0	0	0
ACTIVE TRAVEL Sp. z o. o. **	0	7	0	174
ACTIVE SOLUTIONS Sp. o. o. ***	0	0	0	162
ACTION ENERGY Sp. z o. o. ****)	1,418	0	1,201	9,912
TYTANID Sp. z o.o. *****	0	0	0	0
<b>Total</b>	<b>1,418</b>	<b>7</b>	<b>1,201</b>	<b>10,248</b>

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

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

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

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

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

A.PL INTERNET S.A. in bankruptcy with its registered office in Warsaw. The company was a related party between 23 March 2011 and 6 July 2011. The bankruptcy proceedings were finalised as of 30/05/2018.

## 14.2. Transactions with associates subject to consolidation

Data as of 30 September 2018 and for the period from 01/01/2018 to 30/09/2018

	Receivables	Liabilities	Sales revenues	Purchases and costs
CLOUDTEAM Sp. z o. o. *	0	0	0	54
SYSTEMS Sp. z o. o.	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54</b>

Data as of 30 September 2017 and for the period from 01/01/2017 to 30/09/2017

	Receivables	Liabilities	Sales revenues	Purchases and costs
CLOUDTEAM Sp. z o. o. *	0	0	24	27
SYSTEMS Sp. z o. o.	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>27</b>

\*) Formerly ACTION CENTRUM EDUKACYJNE Spółka z ograniczoną odpowiedzialnością.

#### **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 2018 include: statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and selected notes.

Pursuant to the requirements of the Regulation of the Minister of Finance of 29 March 2018 on Current and Interim Information to be Submitted by Issuers of Securities and Conditions for Considering as Equivalent Information Required under the Law of a Non-Member State (Dziennik Ustaw of 2018, item 757), the Management Board of ACTION S.A. in restructuring hereby represents that:

- to the best of their knowledge, the quarterly condensed financial statements and comparative data were 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 of the balance sheet date, and in any matters not regulated by the IFRS – in accordance with the Polish Accounting Act of 29 September 1994.

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Piotr Bieliński

Sławomir Harazin

President of the Management Board

Vice-President of the Management Board

Zamienie, 29 November 2018

## V. The interim condensed financial statements of ACTION S.A. in restructuring for the period between 1 January 2018 and 30 September 2018

### Selected financial data of ACTION S.A. in restructuring

SELECTED SEPARATE FINANCIAL DATA	in PLN thousand		in EUR thousand	
	3 quarters	3 quarters	3 quarters	3 quarters
	period from 01/01/2018 to 30/09/2018	period from 01/01/2017 to 30/09/2017	period from 01/01/2018 to 30/09/2018	period from 01/01/2017 to 30/09/2017
I. Net revenues from sales of products, goods and materials	1,008,124	963,098	237,010	226,260
II. Gross profit/loss on sale	71,684	61,577	16,853	14,466
III. Profit/loss on operating activity	-35,010	-43,848	-8,231	-10,301
IV. Net profit/loss attributed to the Company's shareholders	-35,330	-46,641	-8,306	-10,957
V. Net cash flows from operating activity	4,615	33,994	1,085	7,986
VI. Net cash flows from investing activity	-306	961	-72	226
VII. Net cash flows from financing activity	-10,553	-99,896	-2,481	-23,468
VIII.VIII. Net increases (decreases) in cash	-6,244	-64,941	-1,468	-15,257
IX. Profit/loss per ordinary share *) (in PLN/EUR)	-2.08	-2.75	-0.49	-0.65
	<b>As of 30/09/2018</b>	<b>As of 31/12/2017</b>	<b>As of 30/09/2018</b>	<b>As of 31/12/2017</b>
X. Total assets	574,311	619,694	134,455	148,576
XI. Liabilities	475,771	485,438	111,385	116,387
XII. Non-current liabilities	0	5,697	0	1,366
XIII. Current liabilities	475,771	479,741	111,385	115,021
XIV. Equity attributed to the Company's shareholders	98,540	134,256	23,070	32,189
XV. Share capital	1,696	1,696	397	407
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)	5.81	7.92	1.36	1.90

\*) Earnings per ordinary share were 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 series A shares from PLN 1 to PLN 0.10, while dividing 1 share having the value of PLN 1 into 10 shares having the nominal value of PLN 0.10. The change was made on 11/04/2006 by way of a resolution of the Extraordinary General Meeting.

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

#### PLN to EUR exchange rates

Period	Average exchange rate during the period	Minimum exchange rate during the period	Maximum exchange rate during the period	Exchange rate as of the last day of the period
01/01/2018-30/09/2018	4.2535	4.1488	4.3616	4.2714
01/01/2017-31/12/2017	4.2447	4.1709	4.4157	4.1709
01/01/2017-30/09/2017	4.2566	4.1737	4.3308	4.3091

Selected financial data presented in the financial statements were translated into EUR in the following manner:

- items concerning the statement of comprehensive income and the cash flow statement were translated at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month, the exchange rate for the 3 quarters of 2018 was EUR 1 = PLN 4.2535, for the 3 quarters of 2017 – EUR 1 = PLN 4.2566;
- items of the statement of financial position were translated at the average exchange rate published by the National Bank of Poland as of the balance-sheet date; as of 30 September 2018, this exchange rate was: EUR 1 = PLN 4.2714, as of 31 December 2017: EUR 1 = PLN 4.1709, and as of 30 September 2017: EUR 1 = PLN 4.3091.

## Statement of comprehensive income

Entire revenues and costs are related to continued operations.

	3 quarters cumulative period from 01/01/2018 to 30/09/2018	Q3 period from 01/07/2018 to 30/09/2018	3 quarters cumulative period from 01/01/2017 to 30/09/2017	Q3 period from 01/07/2017 to 30/09/2017
Sales revenues	1,008,124	346,940	963,098	330,017
Costs of products, goods and materials sold	-936,440	-323,532	-901,521	-309,035
<b>Gross profit on sales</b>	<b>71,684</b>	<b>23,408</b>	<b>61,577</b>	<b>20,982</b>
Selling and marketing expenses	-62,051	-18,188	-75,428	-22,482
General and administrative expenses	-23,657	-9,808	-21,118	-6,395
Other operating revenues and profits	7,725	725	3,306	1,054
Other costs and losses	-28,711	1,365	-12,185	69
<b>Profit/loss on operating activity</b>	<b>-35,010</b>	<b>-2,498</b>	<b>-43,848</b>	<b>-6,772</b>
Financial expenses	-229	-50	-2,562	-169
<b>Profit/loss before tax</b>	<b>-35,239</b>	<b>-2,548</b>	<b>-46,410</b>	<b>-6,941</b>
Income tax	-91	133	-231	172
<b>Net profit/loss for the financial period</b>	<b>-35,330</b>	<b>-2,415</b>	<b>-46,641</b>	<b>-6,769</b>
<b>Other components of comprehensive income</b>				
Net movement due to cash flow hedging	-477	703	-964	-1,099
Income tax	91	-133	183	208
<b>Other components of net comprehensive income</b>	<b>-386</b>	<b>570</b>	<b>-781</b>	<b>-891</b>
<b>Comprehensive income for the period</b>	<b>-35,716</b>	<b>-1,845</b>	<b>-47,422</b>	<b>-7,660</b>
<b>Profit/loss attributed to the Company's shareholders per ordinary share</b> (expressed in PLN per share):				
basic	-2.08	-0.14	-2.75	-0.40
diluted	-2.08	-0.14	-2.75	-0.40
<b>Number of shares</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>
<b>Diluted number of shares</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>	<b>16,957,000</b>

Piotr Bieliński

Sławomir Harazin

President of the Management Board Vice-President of the Management Board

Zamienie, 29 November 2018

## Statement of financial position

	30/09/2018	31/12/2017	30/09/2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	157,904	163,076	165,456
Goodwill	0	0	0
Other intangible assets	7,861	8,495	8,579
Investment property	3,545	3,545	3,545
Financial assets	951	11,901	11,901
Other financial assets	0	0	0
Deferred income tax assets	0	0	1,526
Trade and other receivables	9	297	365
	<b>170,270</b>	<b>187,314</b>	<b>191,372</b>
<b>Current assets</b>			
Inventories	126,526	114,570	148,250
Trade and other receivables	193,412	226,646	211,768
Current income tax receivables	0	900	3,663
Derivative financial instruments	0	0	0
Other financial assets	8,661	8,578	10,087
Cash and cash equivalents	75,442	81,686	83,432
	<b>404,041</b>	<b>432,380</b>	<b>457,200</b>
<b>Total assets</b>	<b>574,311</b>	<b>619,694</b>	<b>648,572</b>
<b>EQUITY</b>			
Share capital	1,696	1,696	1,696
Share premium	62,231	62,231	62,231
Other reserve capitals	30,000	30,000	30,000
Retained earnings	4,875	40,205	45,644
Other equity components	-262	124	-958
<b>Total equity</b>	<b>98,540</b>	<b>134,256</b>	<b>138,613</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans, borrowings and other financing liabilities	0	5,697	8,360
Deferred income tax provisions	0	0	0
	<b>0</b>	<b>5,697</b>	<b>8,360</b>
<b>Current liabilities</b>			
Trade and other liabilities	362,086	361,396	372,255
Loans, borrowings and other financing liabilities	112,527	117,185	127,824
Current income tax liabilities	0	0	0
Employee benefits liabilities	1,158	1,160	1,520
Derivative financial instruments	0	0	0
Provisions for other liabilities and encumbrances	0	0	0
	<b>475,771</b>	<b>479,741</b>	<b>501,599</b>
<b>Total liabilities</b>	<b>475,771</b>	<b>485,438</b>	<b>509,959</b>
<b>Total equity &amp; liabilities</b>	<b>574,311</b>	<b>619,694</b>	<b>648,572</b>

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

Zamienie, 29 November 2018

## Statement of changes in equity

	Equity attributed to the Company's shareholders					Total equity
	Share capital	Share premium	Retained earnings	Other reserve capitals	Capital from cash flow hedge valuation	
<b>As of 1 January 2018</b>	1,696	62,231	40,205	30,000	124	134,256
Total comprehensive income			-35,330		-386	-35,716
Dividends paid out						
Other						0
<b>As of 30 September 2018</b>	1,696	62,231	4,875	30,000	-262	98,540
<b>As of 1 January 2017</b>	1,696	62,231	92,178	30,000	-177	185,928
Total comprehensive income			-52,081		301	-51,780
Dividends paid out						0
Other			108			108
<b>As of 31 December 2017</b>	1,696	62,231	40,205	30,000	124	134,256
<b>As of 01 January 2017</b>	1,696	62,231	92,178	30,000	-177	185,928
Total comprehensive income			-46,641		-781	-47,422
Dividends declared, subject to the composition agreement						0
Other			107			107
<b>As of 30 September 2017</b>	1,696	62,231	45,644	30,000	-958	138,613



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Piotr Bieliński

Sławomir Harazin

President of the Management Board

Vice-President of the Management Board

Zamienie, 29 November 2018

## Cash flow statement

	3 quarters period from 01/01/2018 to 30/09/2018	3 quarters period from 01/01/2017 to 30/09/2017
<b>Cash flows from operating activity</b>		
<b>Net profit/loss for the financial period</b>	<b>-35,330</b>	<b>-46,641</b>
<b>Adjustments for:</b>	<b>39,945</b>	<b>80,635</b>
Income tax	91	231
Income tax paid	900	2,398
Depreciation of fixed assets and intangible assets	6,508	7,236
Profit/loss from investing activity	11,499	-604
Interest revenues	-1,056	-1,385
Interest expenses	229	2,562
Other	-482	-480
<i>Movement in working capital:</i>		
Inventories	-11,956	4,910
Trade and other receivables	33,522	103,722
Trade liabilities and other liabilities	690	-37,955
<b>Net cash flows from operating activity</b>	<b>4,615</b>	<b>33,994</b>
<b>Cash flows from investing activity</b>		
Acquisition of property, plant and equipment and of intangible assets	-1,214	-394
Acquisition of investment property	0	0
Inflows from sales of property, plant and equipment and of intangible assets	0	0
Other investment inflows/outflows	908	1,355
<b>Net cash flows from investing activity</b>	<b>-306</b>	<b>961</b>
<b>Cash flows from financing activity</b>		
Redemption of debt securities	0	0
Issuance of debt securities	0	0
Loans and borrowings received	0	0
Repayments of loans and borrowings	-8,681	-98,096
Dividends paid out	0	0
Interest paid	-255	-926
Payments of liabilities under financial lease agreements	-1,617	-874
Other financial inflows/outflows	0	0
<b>Net cash flows from financing activity</b>	<b>-10,553</b>	<b>-99,896</b>
<b>Net increases/decreases in cash</b>	<b>-6,244</b>	<b>-64,941</b>
Opening balance of cash	81,686	148,373
Foreign exchange gains/losses on measurement of cash	0	0
<b>Closing balance of cash</b>	<b>75,442</b>	<b>83,432</b>

Piotr Bieliński

Sławomir Harazin

President of the Management Board

Vice-President of the Management Board

Zamienie, 29 November 2018

## Notes

### 1. Material estimates

Deferred income tax assets and provisions recognised in the statement of financial position were disclosed after being offset. Set-off was performed due to the homogeneity of these components and the method of their settlement.

Values of the deferred income tax subject to off-setting are as follows:

	30/09/2018	31/12/2017
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	5,262	4,712
	<b>5,262</b>	<b>4,712</b>
Deferred income tax provisions:		
– deferred income tax provisions to be settled within 12 months	5,262	4,712
	<b>5,262</b>	<b>4,712</b>
<b>Deferred income tax assets</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax provisions</b>	<b>0</b>	<b>0</b>
<b>Deferred income tax assets/provisions (on balance)</b>	<b>0</b>	<b>0</b>

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

	30/09/2018	31/12/2017
Opening balance	0	1,560
Credit to/charge on the financial result	-91	-1,490
Increase/decrease of equity	91	-70
<b>Closing balance</b>	<b>0</b>	<b>0</b>

### 2. Write-downs on assets

#### 2.1 Write-downs on long-term financial assets

	30/09/2018	31/12/2017	30/09/2017
<b>Opening write-down on long-term financial assets</b>	<b>-6,469</b>	<b>-7,170</b>	<b>-7,170</b>
Created	-10,950	0	0
Utilised	0	701	0
Released	0	0	0

<b>Closing write-down on long-term financial assets</b>	<b>-17,419</b>	<b>-6,469</b>	<b>-7,170</b>
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## 2.2 Impairment losses on short-term financial assets

	<b>30/09/2018</b>	<b>31/12/2017</b>	<b>30/09/2017</b>
<b>Opening write-down on short-term financial assets</b>	<b>-12,717</b>	<b>-10,492</b>	<b>-10,492</b>
Created	0	-2,225	0
Utilised	0	0	0
Released	0	0	0
<b>Closing write-down on short-term financial assets</b>	<b>-12,717</b>	<b>-12,717</b>	<b>-10,492</b>

## 2.3 Write-downs on inventories

	<b>30/09/2018</b>	<b>31/12/2017</b>	<b>30/09/2017</b>
<b>Opening write-down on inventories</b>	<b>-4,087</b>	<b>-9,433</b>	<b>-9,433</b>
Created (Costs of products, goods and materials sold)	-110	0	-287
Utilised	0	5,346	6,783
Released (Costs of products, goods and materials sold)	0	0	423
<b>Closing write-down on inventories</b>	<b>-4,197</b>	<b>-4,087</b>	<b>-2,514</b>

## 2.4 Write-downs on trade and other receivables

	<b>30/09/2018</b>	<b>31/12/2017</b>	<b>30/09/2017</b>
<b>Opening write-down on receivables</b>	<b>-14,146</b>	<b>-13,658</b>	<b>-13,658</b>
Created	-18,402	-1,211	-761
Utilised	122	244	148
Released	2,107	479	35
<b>Closing write-down on receivables</b>	<b>-30,319</b>	<b>-14,146</b>	<b>-14,236</b>

### 3. Contingent assets and liabilities

As of 30 September 2018, the Company held contingent receivables due to the repayment of receivables in the amount of PLN 9,402 thousand. Security liabilities under agreements signed as of the reporting date which are not reflected in the Company's interim condensed financial statements amounted to PLN 51,163 thousand as of 30 September 2018, and PLN 60,761 thousand as of 31 December 2017.

	30/09/2018	31/12/2017	30/09/2017
<b>1. Contingent receivables</b>	<b>9,402</b>	<b>10,850</b>	<b>10,880</b>
1.1. From related parties (due to)	0	0	0
- guarantees and sureties received	0	0	0
1.2. From other entities (due to)	9,402	10,850	10,880
- guarantees and sureties received	9,402	10,850	10,880
<b>2. Contingent liabilities</b>	<b>51,163</b>	<b>60,761</b>	<b>53,404</b>
1.1. To related parties (due to)	39,297	51,253	45,165
- guarantees and securities granted	39,297	51,253	45,165
1.2. To other entities (due to)	11,866	9,526	8,239
- guarantees and securities granted	11,866	9,526	8,239
- letters of credit	0	0	0
<b>3. Other (due to)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total off-balance sheet items</b>	<b>60,565</b>	<b>71,611</b>	<b>64,284</b>

#### Guarantees and sureties granted

As of 30 September 2018, the value of guarantees and sureties granted amounted to PLN 51,163 thousand, of which:

##### to other entities

Bank guarantees for the total amount of (USD 367 thousand) PLN 1,347 thousand,  
 Bank guarantees for the total amount of (EUR 180 thousand) PLN 769 thousand,  
 Bank guarantees for the total amount of PLN 6,750 thousand.

Bank guarantees for the total amount of PLN 3,000 thousand,

##### to related parties

Bank guarantees for a total amount of (EUR 9,200 thousand) PLN 39,297 thousand.

#### 4. Business combinations

On 24 November 2017, the District Court for the capital city of Warsaw in 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 combination was carried out pursuant to Article 492§1 (1) of the Code of Commercial Companies (merger through acquisition) by transferring the entire assets of the acquired companies to the Issuer. Due to the fact that the acquiring company holds (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 increasing the share capital of the acquiring company.

Under Article 494§1 of the Code of Commercial Companies, as of 24/11/2017 (merger day), ACTION S.A. in restructuring acquired all of the 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.

In the case of mergers of businesses under common control, the Group does not apply regulations arising from IFRS 3 in connection with the exemption of the application of that IFRS to this type of transaction; however, the Group settles such transactions using the pooling of interests method in the following manner:

- a) assets and equity & liabilities of the acquired business are recognised in the carrying value. The carrying value is recognised rather as the value that was originally specified by the controlling entity than values resulting from the separate financial statements of the acquired business,
- b) intangible assets and contingent liabilities are recognised on the principles applied by the business prior to the merger, in accordance with the relevant IFRS,
- c) no goodwill is created – the difference between the payment transferred and the acquired net assets of the controlled business is recognised directly in the capital, in the item “retained earnings”,
- d) non-controlling interests are measured proportionally to the carrying value of the net assets of the controlled business,
- e) comparative data is restated in such a manner as if the merger took place at the beginning of the comparative period. If the date on which the combining entities first came under common control is later than the beginning of the comparative period, the comparative amounts are restated from the date on which the combining entities first came under common control.

In connection with the foregoing, the Company adjusted the comparative data retrospectively for the third quarter of 2017 as if the combination had taken place at the beginning of the preceding reporting period. In connection with the requirements of IAS 1 Article 40b in conjunction with Article 40a, the Company presented the third report for the beginning of the preceding period.

The difference between the value of the interests of the companies covered by the merger and the value of their capitals was recognised in the Company's supplementary capital.

## Restated statement of financial position

	30/09/2017		30/09/2017
	Data before combination	Change	Data after combination
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	164,070	1,386	165,456
Goodwill	0	0	0
Other intangible assets	9,298	-719	8,579
Investment property	6,673	-3,128	3,545
Financial assets	26,785	-14,884	11,901
Other financial assets	0	0	0
Deferred income tax assets	1,046	480	1,526
Trade and other receivables	0	365	365
	<b>207,872</b>	<b>-16,500</b>	<b>191,372</b>
<b>Current assets</b>			
Inventories	140,826	7,424	148,250
Trade and other receivables	238,260	-26,492	211,768
Current income tax receivables	0	3,663	3,663
Derivative financial instruments	92	-92	0
Other financial assets	15,362	-5,275	10,087
Cash and cash equivalents	79,317	4,115	83,432
	<b>473,857</b>	<b>-16,657</b>	<b>457,200</b>
<b>Total assets</b>	<b>681,729</b>	<b>-33,157</b>	<b>648,572</b>
<b>EQUITY</b>			
Share capital	1,696	0	1,696
Share premium	62,231	0	62,231
Other reserve capitals	30,000	0	30,000
Retained earnings	68,023	-22,379	45,644
Other equity components	-958	0	-958
<b>Total equity</b>	<b>160,992</b>	<b>-22,379</b>	<b>138,613</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans, borrowings and other financing liabilities	8,260	100	8,360
Trade and other liabilities	0	0	0

Deferred income tax provisions	0	0	0
	<b>8,260</b>	<b>100</b>	<b>8,360</b>
<b>CURRENT LIABILITIES</b>			
Trade and other liabilities	383,491	-11,236	372,255
Loans, borrowings and other financing liabilities	127,694	130	127,824
Current income tax liabilities	0	0	0
Employee benefits liabilities	1,292	228	1,520
Derivative financial instruments	0	0	0
Provisions for other liabilities and encumbrances	0	0	0
	<b>512,477</b>	<b>-10,878</b>	<b>501,599</b>
<b>Total liabilities</b>	<b>520,737</b>	<b>-10,778</b>	<b>509,959</b>
<b>Total equity &amp; liabilities</b>	<b>681,729</b>	<b>-33,157</b>	<b>648,572</b>

### Restated statement of comprehensive income

	Period from 01/01/2017 to 31/12/2016 before the combination	Change	Period from 01/01/2017 to 30/09/2017 after the combination
Sales revenues	938,584	24,514	963,098
Costs of products, goods and materials sold	-889,155	-12,366	-901,521
<b>Gross profit/loss on sales</b>	<b>49,429</b>	<b>12,148</b>	<b>61,577</b>
Selling and marketing expenses	-57,843	-17,585	-75,428
General and administrative expenses	-18,041	-3,077	-21,118
Other revenues and profits	3,764	-458	3,306
Other costs and losses	-10,769	-1,416	-12,185
<b>Operating profit/(loss)</b>	<b>-33,460</b>	<b>-10,388</b>	<b>-43,848</b>
Financial expenses	-2,550	-12	-2,562
Write-down on goodwill	-36,010	-10,400	-46,410
<b>Profit/loss before tax</b>	<b>-327</b>	<b>96</b>	<b>-231</b>
Income tax	-36,337	-10,304	-46,641
<b>Net profit (loss) for the financial year</b>			
<b>Other components of comprehensive income</b>	<b>-964</b>	<b>0</b>	<b>-964</b>
Net movement due to cash flow hedging	183	0	183
Income tax	-781	0	-781
<b>Other components of net comprehensive income</b>			
	<b>-37,118</b>	<b>-10,304</b>	<b>-47,422</b>
<b>Comprehensive income for the period</b>			



**Profit/loss attributable to the Company's shareholders per ordinary share during the period** (expressed in zloty per share)

– basic	-2.14	-0.61	-2.75
– diluted	-2.14	-0.61	-2.75
<b>Number of shares</b>	<b>16,957,000</b>		<b>16,957,000</b>
<b>Diluted number of shares</b>	<b>16,957,000</b>		<b>16,957,000</b>

These interim condensed consolidated financial statements were approved by the Management Board of ACTION S.A. in restructuring on 29 November 2018.

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Piotr Bieliński

Sławomir Harazin

President of the Management Board

Vice-President of the Management Board

Zamienie, 29 November 2018