CONSOLIDATED

QUARTERLY REPORT

FOR Q1 2020 OF ACTION S.A.

IN RESTRUCTURING

1 June 2020

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Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

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

These interim condensed consolidated financial statements and the comparative data were 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 31 March 2020 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 periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws 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 were 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 in Liquidation, LAPADO Handelsgesellschaft GmbH in Liquidation and ACTION (GUANGZHOU) TRADING CO., LTD, kept their accounting books in compliance with the accounting policy (principles) laid down by the Accounting Act of 29 September 1994 and the regulations issued on the basis thereof. The consolidated financial statements comprise adjustments not included in the books of the Group’s entities, entered in order to bring the financial statements of these entities into line 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 in Liquidation and LAPADO Handelsgesellschaft GmbH in Liquidation keep their accounting books in accordance with German accounting laws. ACTION (GUANGZHOU) TRADING CO., LTD keeps its accounting books in accordance with the requirements of Chinese accounting laws.

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

Zamienie, 1 June 2020

II. The interim condensed consolidated financial statements drawn up in accordance with the International Financial Reporting Standards for the period from 1 January 2020 to 31 March 2020

Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019
I. Net revenue from sale of products, goods and materials	467,554	352,329	106,352	81,979
II. Gross profit/loss on sales	27,871	22,687	6,340	5,279
III. Profit/loss on operating activities	1,590	-1,456	362	-339
IV. Net profit/loss attributable to the Company's shareholders	1,588	-1,540	361	-358
V. Net cash flows from operating activities	9,448	1,468	2,149	342
VI. Net cash flows from investing activities	-197	-119	-45	-28
VII. Net cash flows from financing activities	-46	-607	-10	-141
VIII. Net increases (decreases) in cash	10,755	742	2,446	173
IX. Profit/loss per ordinary share* (in PLN/EUR)	0.09	-0.09	0.02	-0.02
	As of 31/03/2020	**As of 31/12/2019**	**As of 31/03/2020**	**As of 31/12/2019**
X. Total assets	566,145	546,407	124,365	128,310
XI. Liabilities	463,699	444,801	101,860	104,450
XII. Non-current liabilities	34	74	7	17
XIII. Current liabilities	463,665	444,727	101,853	104,433
XIV. Equity attributable to the Company's shareholders	111,804	110,966	24,560	26,058
XV. Share capital	1,696	1,696	373	398
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)	6.59	6.74	1.45	1.57

PLN to EUR exchange rates

For the period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as of the last day of the period
01/01/2020 – 31/03/2020	4.3963	4.3010	4.5523	4.5523
01/01/2019 – 31/12/2019	4.3018	4.2520	4.3844	4.2585
01/01/2019 – 31/03/2019	4.2978	4.2802	4.3120	4.3013

* 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 at the same time dividing 1 share of PLN 1 into 10 shares with the nominal value of PLN 0.10. The change was made on 11 April 2006 by virtue of a resolution of the Extraordinary General Meeting of Shareholders.
*** The book value per share was calculated as the quotient of Equity attributable to the Company's shareholders and the number of shares.

The selected financial data presented in the consolidated financial statements were converted into EUR 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 minimum and maximum exchange rates published by the National Bank of Poland, in force on the last day of each month, the exchange rate for Q1 2020 stood at EUR 1 = PLN 4.3963, for Q1 2019 – EUR 1 = PLN 4.2978;
- 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 31 March 2020 this exchange rate stood at: EUR 1 = 4.5523 PLN, as of 31 December 2019: EUR 1 = 4.2585 PLN, and as of 31 March 2019:
EUR 1 = PLN 4.3013.

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Consolidated statement of comprehensive income

All revenue and costs relate to continued activities.

	Note	Q1 For the period 01/03/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019
Revenue from sales	(5.2)	467,554	352,329
Costs of products, goods and materials sold	(5.3)	-439,683	-329,642
Gross profit on sales		**27,871**	**22,687**
Selling and marketing costs	(5.3, 5.4)	-19,238	-21,622
General administrative expenses	(5.3, 5.4)	-7,100	-6,614
Other operating revenue and profits	(5.5)	1,014	4,380
Other costs and losses	(5.6)	-957	-287
Profit/loss on operating activities		**1,590**	**-1,456**
Financial expenses	(5.7)	-13	-70
Profit/loss before lax		**1,577**	**-1,526**
Income tax	(5.8)	0	0
Share in the net result of the associate		13	-14
Net profit/loss for the financial period		**1,590**	**-1,540**
Other components of comprehensive income			
Net change due to cash flow hedges		0	0
Income tax		0	0
Other items		-750	-16
Other components of net comprehensive income		**-750**	**-16**
Comprehensive income for the period		**840**	**-1,556**
Net profit/loss attributable to:			
Company's shareholders		**1,588**	**-1,540**
non-controlling interests		2	0
Comprehensive income attributable to:			
Company's shareholders		**838**	**-1,556**
non-controlling interests		2	0
Profit/loss attributed to the Company's shareholders per ordinary share (expressed in PLN per share):			
Basic		0.09	-0.09
Diluted		0.09	-0.09
Number of shares		**16,957,000**	**16,957,000**
Diluted number of shares		**16,957,000**	**16,957,000**

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

Zamienie, 1 June 2020

The number of shares comprises 11,910,000 series A shares, 4,500,000 series B shares and 547,000 series C shares.
Profit per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in the period.

The weighted average number of ordinary shares takes into account the change in the nominal value of series A shares from PLN 1 to PLN 0.10. The nominal value of series A shares was changed by means of a resolution of the Extraordinary General Meeting of 11 April 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 quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Consolidated statement of financial position

	Note	31/03/2020	31/12/2019	31/03/2019
ASSETS				
Non-current assets				
Property, plant and equipment	(5.9)	148,133	149,766	156,751
Goodwill		0	0	0
Other intangible assets		6,223	6,575	7,450
Investment properties	(5.10)	3,545	3,545	3,545
Financial assets		0	0	324
Shares in associates measured with the equity method		0	0	0
Deferred income tax assets	(5.8)	0	0	0
Trade and other receivables		0	0	0
		157,901	**159,886**	**168,070**
Current assets				
Inventories	(5.11)	153,147	156,233	136,492
Trade and other receivables		169,748	154,621	160,917
Current income tax receivables		0	0	0
Financial derivatives		477	0	0
Other financial assets		0	0	0
Cash and cash equivalents		84,872	75,667	94,339
		408,244	**386,521**	**391,748**
Total assets		**566,145**	**546,407**	**559,818**
EQUITY				
Equity attributable to the Company's shareholders				
Share capital		1,696	1,696	1,696
Surplus resulting from the sale of shares above their nominal value		62,231	62,231	62,231
Other reserve capitals		30,000	30,000	30,000
Retained earnings		18,696	17,108	20,579
Foreign exchange differences on translation of a foreign operation		-819	-69	-275
Other components of equity		0	0	0
		111,804	**110,966**	**114,231**
Non-controlling interests		**-9,358**	**-9,360**	**-9,505**
Total equity		**102,446**	**101,606**	**104,726**
LIABILITIES				
Non-current liabilities				
Loans, borrowings and other liabilities on account of financing	(5.13)	34	74	1,454
Trade and other liabilities		0	0	0
Deferred income tax provisions	(5.8)	0	0	0
		34	**74**	**1,454**
Current liabilities				
Trade and other liabilities		350,139	331,208	335,164
Loans, borrowings and other liabilities on account of financing	(5.13)	112,975	112,968	117,773
Current income tax liabilities		0	0	0
Employee benefit liabilities		551	551	701
Financial derivatives		0	0	0
Provisions for other liabilities and charges		0	0	0
		463,665	**444,727**	**453,638**
Total liabilities		**463,699**	**444,801**	**455,092**
Total equity and liabilities		**566,145**	**546,407**	**559,818**

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

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Statement of changes in consolidated equity

	Equity attributable to the Parent Company's shareholders						Equity attributable to non-controlling interests	Total equity
	Share capital	**Surplus resulting from the sale of shares above their nominal value**	**Retained earnings**	**Other reserve capitals**	**Capital from cash flow hedge measurement**	**Foreign exchange differences from conversion of a foreign operation**		
As of 1 January 2020	**1,696**	**62,231**	**17,108**	**30,000**	**0**	**-69**	**-9,360**	**101,606**
Total comprehensive income			1,588			-750	2	**840**
Dividends declared								**0**
Other								**0**
As of 31 March 2020	**1,696**	**62,231**	**18,696**	**30,000**	**0**	**-819**	**-9,358**	**102,446**
As of 1 January 2019	**1,696**	**62,231**	**22,119**	**30,000**	**0**	**-259**	**-9,505**	**106,282**
Total comprehensive income			-5,010		0	190	66	**-4,754**
Dividends declared								**0**
Other			-1				79	**78**
As of 31 December 2019	**1,696**	**62,231**	**17,108**	**30,000**	**0**	**-69**	**-9,360**	**101,606**
As of 1 January 2019	**1,696**	**62,231**	**22,119**	**30,000**	**0**	**-259**	**-9,505**	**106,282**
Total comprehensive income			-1,540			-16	0	**-1,556**
Dividends declared								**0**
Other								**0**
As of 31 March 2019	**1,696**	**62,231**	**20,579**	**30,000**	**0**	**-275**	**-9,505**	**104,726**

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

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Consolidated cash flow statement

	Note	For the period 01/01/2020 to 31/03/2020	For the period 01/01/2019 to 31/03/2019
Cash flows from operating activities			
Net profit/loss attributed to the Company's shareholders		**1,577**	**-1,526**
Adjustments:		**7,871**	**2,994**
Income tax		0	0
Income tax paid		0	0
Depreciation of fixed and intangible assets		2,220	2,321
Profit (loss) on investing activities		-318	-115
Interest revenue		-144	-130
Interest expenses		13	70
Share in the net result of the associate		-13	14
Other		-2	0
Changes in working capital:			
Inventories		3,086	-8,451
Trade and other receivables		-15,902	11,705
Trade and other liabilities		18,931	-2,420
Net cash flows from operating activities		**9,448**	**1,468**
Cash flows from investing activities			
Acquisition of property, plant and equipment and of intangible assets		-197	-119
Inflows from sale of property, plant and equipment and of intangible assets		0	0
Other investment inflows/outflows		0	0
Net cash flows from investing activities		**-197**	**-119**
Cash flows from financing activities			
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		0	0
Dividends paid		0	0
Interest paid		-13	-38
Payments of liabilities under financial lease agreements		-33	-569
Other financial inflows/outflows		0	0
Net cash flows from financing activities		**-46**	**-607**
Net increase/decrease in cash		**9,205**	**742**
Opening balance of cash		75,667	93,597
Foreign exchange profits (losses) on measurement of cash		0	0
Closing balance of cash		**84,872**	**94,339**

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

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Notes to the condensed interim consolidated financial statements

1. General information

Business name:	ACTION Spółka Akcyjna in restructuring
Legal form:	Joint stock company
Incorporated in:	Poland
Registered office:	Zamienie
Address:	ul. Dawidowska 10, 05-500 Piaseczno
National Court Register (KRS):	KRS no. 0000214038
Telephone no.:	(+48 22) 332 16 00
Fax no.:	(+48 22) 332 16 10
E-mail:	action@action.pl
Website:	www.action.pl
Business ID No. (REGON):	011909816
Tax id. no. (NIP):	527-11-07-221

1.1.Scope of business

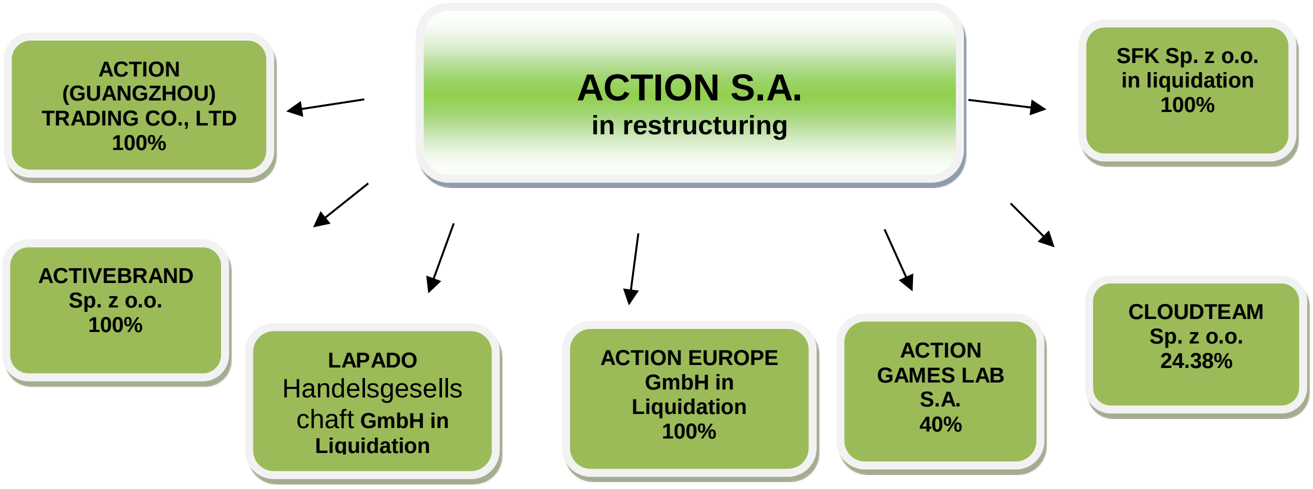
The business of ACTION S.A. in restructuring (Issuer/Company) and its subsidiaries consists in the sales of IT equipment, consumer electronics and household appliances through wholesalers, its own outlets and third party shops. The Group sells its products primarily in Poland. Primary field of the Company's business: wholesale trade in computer accessories (PKD 2007 4690Z).

The Parent Company is ACTION S.A. in restructuring, with its registered office in Zamienie, ul. Dawidowska 10.
On 2 August 2004, ACTION Spółka Akcyjna in restructuring was entered in the Register of Businesses of the National Court Register under KRS no. 0000214038, on the basis of 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. Previously, the legal predecessor of the Issuer, i.e. ACTION spółka z ograniczoną odpowiedzialnością, was entered in the Register of Businesses under KRS no. 0000066230 on the basis of the decision of the District Court in Warsaw, Commercial Division of the National Court Register, of 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 restructuring proceedings for ACTION Spółka Akcyjna in restructuring under the provisions of the Polish Restructuring Law Act of 15 May 2015 (Journal of Laws of 2015, item 978).

1.2.Composition of the Group

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



Composition of the Group:

parent company:
ACTION S.A. in restructuring with its registered office in Zamienie

subsidiaries and associates:

SFK Sp. z o.o. in liquidation, with its registered office in Kraków – a subsidiary (100%). As of the date of the report, the liquidation process was not complete.
ACTION GAMES LAB S.A., with its registered office in Zamienie – a subsidiary (40%)[1]
CLOUDTEAM Sp. z o. o. (formerly ACTION CENTRUM EDUKACYJNE Sp. z o.o.) with its registered office in Warsaw – an associate (24.38%)[2]
ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie – a subsidiary (100%)[3]
ACTION EUROPE GmbH in Liquidation, with its registered office in Braunschweig (Germany) – a subsidiary (100%))[4]
ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China) – a subsidiary (100%)[5]
LAPADO Handelsgesellschaft GmbH in Liquidation, with its registered office in Potsdam (Germany) – a subsidiary (51%)[6]

[1] ACTION GAMES LAB S.A., with its registered office in Zamienie was incorporated and consolidated as of 12 December 2011.
[2] CLOUDTEAM Sp. z o. o. with its registered office in Warsaw – a company measured using the equity method since 1 October 2012. On 28 February SYSTEMS Sp. z o.o was merged with CLOUDTEAM Sp. z o.o. as the acquirer.
[3] ACTIVEBRAND Sp. z o.o., with its registered office in Zamienie, was established on 3 September 2012.
[4] ACTION EUROPE GmbH in Liquidation, 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%.
[5] ACTION (GUANGZHOU) TRADING CO., LTD, with its registered office in Guangzhou (China), was consolidated as of 1 July 2016.
[6] LAPADO Handelsgesellschaft GmbH in Liquidation, with its registered office in Potsdam (Germany), consolidated as of 1 January 2014.

Changes in the Group's composition during the reporting period

No changes in the composition of the Group occurred during the period covered by the report.

Third-party shares in subsidiaries

1. LAPADO Handelsgesellschaft GmbH in Liquidation – 49% of the shares held by Jacek Mońko
2. ACTION GAMES LAB S.A. – 60% of the shares vested with 75% of votes at the shareholders' meeting, held by Piotr Bieliński

ACTION EUROPE GmbH is engaged in distribution activities in the wholesale of IT equipment, consumer electronics and household appliances. In October 2018, ACTION EUROPE GmbH filed a liquidation petition with the court. As of the date hereof, the Company has not been liquidated. ACTION (GUANGZHOU) TRADING CO., LTD carries out commercial activities in the food industry in China. The main business profile of CLOUDTEAM Sp. z o.o. is training and IT services, and the rental of computer hardware. ACTION GAMES LAB S.A. apart from the provision of advertising services, the company engages in the production of computer games. SFK Sp. z o.o. in liquidation. As of the date hereof, the Company has not been liquidated. ACTIVEBRAND Sp. z o.o. – as of 1 September 2018 its business was suspended.

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Entities consolidated as of 31/03/2020

Business name with the indication of the legal form of the entity	Registered office	Business activity	Nature of relationship (subsidiary, jointly controlled subsidiary, associate, including details of direct and indirect relationships)	Competent court or other authority maintaining the register	Consolidation method applied / measurement using the equity method or the indication that the entity is not subject to consolidation / measurement using the equity method	Date of control / joint control / significant influence acquisition	Percentage of share capital held	Share in the total number of votes at the general meeting
SFK Sp. z o.o. in liquidation	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 services	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 computer hardware	associate	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register	measurement using the equity method	12/09/2012	24.38%	24.38%
ACTIVEBRAND Sp. z o. o.	Zamienie	advisory services in carrying out economic activities	subsidiary	District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register	full	03/09/2012	100%	100%
ACTION EUROPE GmbH in Liquidation	Braunschweig (Germany)	wholesale trade in computer hardware	subsidiary	District Court in Braunschweig (Amtsgericht Braunschweig)	full	08/07/2013	100%	100%
LAPADO Handelsgesellschaft GmbH in Liquidation	Potsdam (Germany)	wholesale trade in computer hardware	subsidiary	District Court in Potsdam (Amtsgericht Potsdam) no. HRB 25042	full	24/01/2014	51%	51%
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%

2. Principles applied in the preparation of the statements

The interim condensed consolidated financial statements of the Capital Group ACTION S.A. in restructuring for Q1 2020 were drawn up in accordance with IAS 34 *Interim Financial Reporting*.

The Interim condensed consolidated financial statements prepared for the period from 1 January 2020 to 31 March 2020 contain comparative data for the period from 1 January 2019 to 31 March 2019.

The key accounting principles applied in the preparation of these interim consolidated financial statements are presented below. These principles were applied consistently throughout the reporting periods, unless stated otherwise.

2.1.General principles of preparation

These interim condensed consolidated financial statements were 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 were drawn 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 the information and disclosures required in the annual consolidated financial statements and they should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with the IFRS for the financial year ended 31 December 2019, published on 27 March 2020.

2.2. Going concern

The interim consolidated financial statements of ACTION S.A. in restructuring were 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 practice, the Company's Management Board indicates in the following part factors that may represent a potential threat to continuation of the Company's business activities 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 decisions of the Tax Audit Office described in detail in Note 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 Polish Restructuring Law Act of 15 May 2015 (consolidated text: Dziennik Ustaw [Journal of Laws] of 2019, item 2089 – hereinafter: the Restructuring Law). On 1 August 2016, the Court issued a decision on opening restructuring proceedings with respect to ACTION S.A. (currently: ACTION S.A. in restructuring).

The Management Board's assumptions concerning continuation of the Company's business activities in the foreseeable future, for no 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 Company's revenue and operating costs recorded until this point as well as its expected revenue, costs and profitability. Key components of revenue are revenue of the entire Capital Group, in which the Company is the Parent Company, at the average monthly level of PLN 155,000 thousand in Q1 2020 and PLN 117,000 thousand in Q1 2019 and corresponding costs of purchased goods and third-party services necessary for the performance of activities by the Capital Group of ACTION S.A. in restructuring, which are at the average monthly level of PLN 146,000 thousand in Q1 2020 and PLN 109,000 thousand in Q1 2019. Their amount depends mainly on the value of the orders being fulfilled. Therefore, given that since the opening of the restructuring proceedings ACTION S.A. in restructuring has been prohibited from settling payments which

arose before 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 31 March 2020 the Group has financial resources in the amount of PLN 84,872[1] thousand and current receivables at the amount of PLN 169,748[1] thousand with maturity of up to 90 days and fast-moving consumer goods at the amount of PLN 153,147[1] thousand, which in total allows securing financial resources for all current costs and expenses of the proceedings and for the settlement of liabilities which arose after the opening of the restructuring proceedings.

The additional source of funds for the Company in the case of overdue receivables from its commercial contractors is mainly the insurance coverage of receivables, provided under the insurance agreement entered into with Compagnie Francaise D'assurance Pour Le Commerce Exterieur (COFACE) Spółka Akcyjna. Part of the Company's debts is secured with mortgage or bank guarantees.
The Company also extended Agreement no. 2017/149/DDF with Bank Pekao S.A., allowing the issue of guarantees and letters of credit to the Company's suppliers.
The Company is continuing efforts to obtain 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 of ACTION, i.e. the merger of ACTION S.A. in restructuring with 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 Polish Commercial Companies Code.

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 restructuring 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 the member of the Committee of Creditors. Societe Generale S.A. Branch in Poland was dismissed due to the repayment by the Company of all liabilities towards the bank on 29 May 2017, as a result of which Societe Generale S.A. Branch in Poland ceased to be the creditor of ACTION S.A. in restructuring and further performance by the bank of its function in the Committee of Creditors ceased to serve the interests of the creditors and the economics and purposes of the restructuring proceedings.

However, we would like to stress that the Company – already only in terms of currently performed contracts and taking into account highly conservative assumptions regarding the possibility of entering into new contracts – has no problems in covering the costs of the restructuring proceedings or settling claims which arose after the opening date of the restructuring proceedings. As of 1 August 2016, the Company significantly reduced its operating expenses and is subject to statutory protection against aggressive and economically unjustified enforcement which is in the sole interest of individual creditors or their protective measures that might lead to cessation of the enterprise's operating activities, 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 has been prepared and published in the option until 2028. This is a time horizon sufficient to repay the restructuring debt of PLN 240 million, not taking into account implications of the restructuring proceedings favourable from the Company's perspective, for example the "official" grace period for the repayment of liabilities granted, de facto, until the vote on the composition agreement or the assumed improvement of profitability resulting from the possibility of making prepaid purchases, etc. The actual occurrence of such circumstances may lead to an even more favourable balance between revenue surplus and non-composition disbursements. In upholding this assessment, the Management Board will focus on further implementation of the forecast in question, described in detail in current report no. 59/2018 of 24 October 2018 (updated in current report no. 40/2019 of 03/09/2019), taking

[1] According to the consolidated financial statements of ACTION S.A. in restructuring for the period 1 January 2020 to 31 March 2020.

into account its deviations which may result from the assessment carried out by the Management Board of the impact of COVID-19 on the company's activities.

As of the end of March 2020 the Company secured financing using its own funds.

The Issuer recognised a provision for a loan granted to LAPADO GmbH in Liquidation on account of a surety granted in the full amount of the loan. 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 amounts to EUR 1,740 thousand. This receivable is subject to the composition agreement by virtue of law. The liquidation of LAPADO was completed on 06/01/2020.

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 2017 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 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 referred to as: Reports).
The Reports were drawn up as part of the execution of Committee of Creditors 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 the execution of a composition agreement with the Company's Creditors and continuation of activities 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 it would be 47%, and the degree of satisfaction calculated for the amount of approx. PLN 66,105 thousand resulting from VAT proceedings for which final decisions had been issued (a payment requirement) would be 48%;
2. in the scenario providing for the announcement of the Company's bankruptcy 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 (Pre-pack). The degree of satisfaction calculated for the amount of approx. PLN 66,105 thousand resulting from VAT proceedings for which final decisions had been issued (the payment requirement) would be 45% in the liquidation procedure and 60% pursuant to Article 56a (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 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 in 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 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 gradual extension of the liabilities turnover ratio to 30 days in 2022; however, further improvement of terms in this scope is closely related to the preparation and implementation of the business and organisational optimisation plan 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, it 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 activities due to a higher potential for generating the cash flows.
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 with several dozen years' experience in carrying out the activities conducted by the Company, the above-mentioned modified variant should be adopted (assuming the repayment of Creditors by way of a composition agreement in the total amount of PLN 200 million) as the basis for formulating composition proposals. In justifying this position, the Company's Management Board indicates that the anticipated periods of the above-mentioned disinvestments and the failure to take into account the costs of the activity relocation in the case of selling the properties do not allow taking into consideration the estimated inflows from these measures in the repayment plan. However, the Management Board will carry out 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 more than three years that have passed since the initiation of the restructuring proceedings, the Company has not obtained 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 turnover ratio, 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), 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 subject to 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 may change and do not constitute KMGP's guarantee or assurance that the Company will attain the estimates specified in the Reports, and cannot be treated as the fair value of the Company or its assets.

Taking into account the need to perform the provisions of the Restructuring Plan (in the scope of consolidated activities of the Capital Group of ACTION S.A.), on 24 September 2018 the Company's Management Board took the decision on the intention to dissolve ACTION EUROPE GmbH and liquidate it. In the Management Board's opinion, under the present circumstances this decision is the most appropriate method to carry out restructuring activities with benefits for the Company and its Creditors. The initiation of the liquidation of ACTION EUROPE GmbH was registered in this Company's register court.

On 4 April 2018, the Company's Management Board decided to open negotiations with the Company's Creditors in restructuring proceedings with a view to making a composition agreement. The negotiations carried out with 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 creditors the Company modified the draft Composition Agreement Proposals which it had published in current report no. 45/2018 dated 31 August 2018. This draft, after taking into account creditors' comments, was submitted on 21 September 2018 at court as the Company's composition agreement proposals (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 restructuring 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 serve the interests of all creditors and whether the Company has a chance to improve its financial result, 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 restructuring proceedings should be finalised by convening immediately the meeting of creditors in order to vote on the composition agreement, and as regards item b) above, after such a long waiting period, creditors should be able to present their views on the issue of making a composition agreement. Thus, the Committee of Creditors argues in favour of completing immediately 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 Administrator on 08/12/2016 and the first supplementary list of claims submitted by the Manager on 16/11/2017. 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 restructuring proceedings of the Issuer. Pursuant to that decision, the composition agreement will be voted on in the following manner:
1) without convening the Meeting of Creditors;
2) through notifying all creditors included in the list of claims about 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 will be carried out in writing, no later than within 21 days as of the date on which this decision is declared legally binding, and will be carried out by the manager of the assets subject to the restructuring 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 restructuring 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 written request, meeting the formal requirements specified in Article 107 of the Restructuring Law, for the participation in the vote should be submitted by a creditor whose claims have been contested to the Judge Commissioner no later than within 7 days as of the date on which the creditor was notified by the manager of the assets subject to the restructuring 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) no later than within 3 months as of the date on which this decision is declared to be legally binding, the Manager of the assets subject to the restructuring proceedings will present to the Judge Commissioner in writing the results of voting on the composition agreement proposals, together with collected voting cards and proof of the delivery of documents from items 2 and 3 of the decision to creditors that had not cast their vote.

The above decision on the specification of the method of voting on the composition agreement was appealed against by two creditors. On 27 May 2019 the Company's Management Board became aware that the decisions of the court of second instance dismissing the above-mentioned appeals had been delivered to the Manager.
On 1 October 2018, the Company's creditors having more than 30% of total claims covered by the restructuring 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.

On 24 May 2019, the Company's Management Board decided to dissolve and liquidate the subsidiary SFK Sp. z o.o. with its registered office in Kraków, of which the Issuer is the sole shareholder. The above decision is substantiated by the current situation of the Company and its Capital Group, and at present it is the most favourable form of consolidating the Capital Group as well as resigning from less profitable sale channels. Therefore, the decision to liquidate SFK Sp. z o.o. fits in with the assumptions of the restructuring activities in the Company's restructuring proceedings.

As a result of negotiations, the Company, on 31 July 2019, agreed with the main creditors the content of composition proposals to be the sole subject of voting on the composition agreement. As part of the above arrangements, the parties also agreed that the Company would amend its composition proposals of 21 September 2018 submitted to the court (published in current report no. 49/2018 of 21 September 2018) by replacing them with the above-mentioned composition proposals. Creditors, in turn, will withdraw their support for their own composition proposals of 1 October 2018 (published in current report no. 55/2018 of 2 October 2018) so that they are not the subject of voting on the composition agreement.

In the implementation of the above agreement of the Company with creditors: a) on 7 August 2019, the company submitted modified composition proposals to the court (published in current report no. 37/2019 of 7 August 2019), b) creditors representing over 30% of those eligible to vote, submitted to the court on 27 August 2019, statements on the withdrawal of the previously submitted composition proposals of 28 September 2018 (which the Company announced in current report no. 39/2019 of 27 August 2019).

On 11 September 2019, the District Court for the Capital City of Warsaw in Warsaw, 18th 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 second supplementary list of claims submitted by the Manager on 25 October 2018.

In order to implement further the concept of minimising ACTION S.A. Capital Group business activities, on 1 October 2019, the merger of the company with ACTIONMED Sp. z o.o., its fully owned subsidiary, was registered.

On 10 October 2019, the above-mentioned decision of 25 September 2018, specifying the manner of voting on the composition agreement in the restructuring proceedings of the Issuer, became effective. This event opened the period of voting on the composition agreement. The results of voting were submitted to the court on 10 January 2020.

The results obtained in the vote on the composition agreement indicate that both majorities referred to in Article 119(1) and (2) of the Restructuring Law were reached and that more creditors took part in the vote than the minimum indicated in Article 113(1) of the Restructuring Law, which means that there are grounds for adopting the composition in the restructuring proceedings of ACTION S.A. in restructuring.
On the basis of documentation collected during the procedure of the vote on the composition agreement the following results were established:
a) 457 entities (the curator of bondholders treated as 1 entity) entitled to the total amount of claims of PLN 352,672,358.23 took part in the vote on the composition agreement in these restructuring proceedings (i.e. cast their votes for or against the composition agreement);
b) in calculations determined in Article 119(1) and (2) of the Restructuring Law concerning the majority necessary to establish whether the composition agreement was adopted, the total number of votes of the creditors participating in the vote was finally established at 1082, which resulted from the necessity to appropriately count the number of votes to which the curator of bondholders was entitled – pursuant to the provisions of Article 367(1) of the Restructuring Law (the rounded number of 626);
c) the minimum number of creditors required in Article 113(1) of the Restructuring Law that had to participate in the vote on the composition agreement should be 20% of the creditors. In the completed vote on the matter in question, the participation was 48%, which means that the required quorum was reached – taking into account the number of votes obtained after the conversion referred to in Article 367(1) of the Restructuring Law. For reasons of clarity, the Manager indicates that the quorum would also have been obtained in the case of counting the vote of the curator of bondholders as 1 vote – then 28% of the creditors would have participated in the vote;
d) 1,075 of the creditors, entitled to the total amount of claims of PLN 315,445,385.72, voted for the composition agreement (taking into account the provision of Article 367(1) of the Restructuring Law), which constitutes 99% of the majority of voters and 89% of the capital majority;
e) 7 of the creditors, entitled to the total amount of claims of PLN 37,226,972.51, voted against the composition agreement, which constitutes 1% of the majority of voters and 11% of the capital majority;
f) 895 creditors, entitled to the total amount of claims of PLN 18,264,768.71, notified about the opening of the procedure of the vote on the composition agreement, and 248 creditors with the total amount of their claims of PLN 9,153,014.79, to which the notifications about the vote were not successfully delivered (lack of the possibility to deliver notifications to these creditors resulted mainly from their failure to collect correspondence on time for which two advice notes were issued, the liquidation or striking off these creditors from a relevant register) did not participate in the vote.

On 06/02/2020 the Judge Commissioner issued, under Article 120 (1) and (2) of the Restructuring Law a decision stating that the composition agreement had been adopted during the Company's restructuring proceedings. The date of the hearing on the approval of the composition agreement by court (pursuant to Article 164(1) of the Restructuring Law) was scheduled for 06/04/2020. On 24/03/2020, the Issuer was notified about the cancellation of hearings and public sittings in cases heard by the District Court for the Capital City of Warsaw until 30 April 2020. Therefore, the hearing in the restructuring proceedings of ACTION S.A. in restructuring on the approval of the composition agreement, scheduled for 06/04/2020, was also cancelled. The above results from Order no. 78/2020 of the President of the District Court for the Capital City of Warsaw in Warsaw of 23 March 2020 in connection with the COVID-19 threat. As of the publication of this periodic report, a new hearing date has not been set.

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 of suppliers and banks exclusively confirm and increase the chances of the restructuring being successful. The Restructuring Plan is also based on the assumption that the Company would continue its business activities for at least the next 12 months without significant limitations to the scope of its business.

The assumption that the Company would continue its business activities 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 resulting from the provisions of law in the scope of drawing up restructuring documentation have been or are performed in accordance with the applicable deadlines. In the course of the proceedings, in addition to the Restructuring Plan, the following documents were prepared and submitted: 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 accounting reports of the Manager (in accordance with Articles 31 and 32 of the Restructuring Law).

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

From the beginning of the restructuring proceedings to the moment the statement was prepared, as far as the Management Board is aware, the Company was served 25 objections, to which the Company replied, and examined ten of the objections submitted, of which two were rejected by the Judge Commissioner. The third objection and the request for a change in the list of claims concerned the amount of PLN 0 as a claim contingent upon a condition resulting from 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 due claim, the total sum of the list of claims 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 an increase in the amount of the 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. Having examined the seventh objection, the Judge Commissioner dismissed it (the objection concerned the omission of a claim in the list in the amount of PLN 117 thousand). The proceedings in the eighth case was also discontinued because the parties made a settlement, and the claim of this creditor was recognised in the amount of PLN 1,259 thousand. The ninth objection was upheld, and it concerned a contingent claim in the amount of PLN 3,000 thousand which does not carry the right to vote on the composition agreement. In the proceedings concerning the tenth objection, the parties made a settlement and the claim of this creditor was included in the list of claims in the amount higher by approx. PLN 10 thousand than the original amount.

In connection with the above described decision of the Judge Commissioner of 6 February 2020 on the adoption of the composition agreement, the next step in the Company's restructuring proceedings will be the approval of the composition agreement by court. For statutory effects, the adopted composition agreement must be approved by court and the decision on this case must become final. In the case of the issue of such ruling and lack of objections against the decision approving the composition agreement, it will become final after two weeks (taking into account Articles 165(7), 164(5) and 201(4) of the Restructuring Law). Otherwise this process may be prolonged even up to several months.

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

In connection with the Regulation of the Minister of Health of 20 March 2020 on the announcement of the state of the epidemic in the territory of the Republic of Poland, the Company's Management Board carried out an analysis of the impact of *COVID-19 (coronavirus)* on the continuation of the Issuer's activities. The disclosure in this scope was included in section III Other quarterly information. The conclusions of the above analysis contained therein do not indicate the existence of material uncertainty in the scope of the continuation of the Company's activities. Both the results presented for the period of Q1 2010 as well as the estimates of the Company's results for the period of April 2020 confirmed this assumption as of the date of publishing this report.

The Management Board is also of the opinion that the current situation of the Company and of the Capital Group gives no basis for assuming that certain events could take place before 31 March 2021 which would justify a discontinuation of the restructuring proceedings. Taking into account the current status of these proceedings, it may reasonably be concluded that within the above indicated period they will be completed as a result of the final approval of the composition agreement. The Company is prepared to implement the composition agreement pursuant to its provisions.
In consideration of the above assumptions concerning the timelines of the restructuring proceedings, the Management Board believes that there are no threats to the continuation of the Company's business activities 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 current assumptions in this scope. The arrangements made so far with the majority of suppliers enable smooth performance of deliveries. Each day, the Company rebuilds deliveries based on 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 business activities over the next 12 months.
Due to the final clarification of the composition proposals submitted to the court on 7 August 2019 and their assumptions regarding the amount and duration of repayments made by the Company in the performance of the composition agreement, the Company updated its earlier forecast (for the period 2018-2024). The current forecast covers the period from 2019 to 2028 (its content was published in current report no. 40/2019 of 3 September 2019). The updated version of the above forecast was drawn up by the Company's Management Board under the assumption of continuation of business activities during the restructuring proceedings and in the course of performing the composition agreement with creditors. However, the forecast was prepared for the separate data of ACTION S.A. in restructuring.

The Management Board also emphasises increasing the margin on sales and the sales volume. Funds obtained in this way will be used for the successive repayment of liabilities during the period of performing the composition agreement.

Despite net losses posted in 2016-2018, the projected cash flows (cash inflows) will make it possible to fully cover current, financial and commercial costs. As a result, at the end of the forecast period, the Company will raise funds necessary for its functioning and the repayment of the restructuring debt.

The value of the equity of ACTION S.A. in restructuring was PLN 101,077 thousand at the end of March 2020.
The estimated equity of the Company is as follows: PLN 112,251 thousand at the end of 2020, PLN 121,473 thousand at the end of 2021, PLN 130,931 thousand at the end of 2022, PLN 140,406 thousand at the end of 2023, PLN 149,897 thousand at the end of 2024 and PLN 157,559 thousand at the end of 2025.

According to the Management Board, the continuation of the Company's business activities under the above assumptions could be threatened by circumstances preventing the Company from implementing the Restructuring Plan, including 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 were no circumstances which could substantiate such risks.

The Management Board of ACTION S.A. in restructuring states that if the assumption of activity continuation prove to be unfounded, the prepared consolidated financial statements would have to include adjustments concerning different principles of measurement and classification of assets and liabilities which could be necessary if the parent company was unable to continue its activities in the foreseeable future.
The Management Board of ACTION S.A. in restructuring is convinced that the assumptions described above, essential for the preparation of financial forecasts, will be achieved, which justifies the adopted principle of the activity continuation.

2.3.Compliance statement

These interim condensed consolidated financial statements for the period from 1 January 2020 to 31 March 2020 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union, in particular in accordance with International Accounting Standard 34 *Interim Financial Reporting* 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 Q1 2020 are consistent with those applied to prepare the annual consolidated financial statements for 2019.

A detailed description of the other accounting principles adopted by the Capital Group ACTION S.A. in restructuring is presented in the annual consolidated financial statements for 2019 published on 27 March 2020.

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 for the financial statements of ACTION EUROPE GmbH in Liquidation denominated in EUR have been 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 31 March 2020 this exchange rate stood at: EUR 1 = PLN 4.5523, as of 31 December 2019: EUR 1 = PLN 4.2585 and as of 31 March 2019: EUR 1 = PLN 4.3013.

− individual items in the statements of comprehensive income and cash flow statements
were translated at the exchange rate being the arithmetic mean of the average minimum and maximum exchange rates published by the National Bank of Poland, in force on the last day of each month; for Q1 2020 the exchange rate stood at: EUR 1 = PLN 4.3963; for Q1 2019: EUR 1 = PLN 4.2978.

The financial data in the financial statements of ACTION (GUANGZHOU) TRADING CO., LTD denominated in 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 31 March 2020 this exchange rate stood at: CNY 1 = PLN 0.5844, as of 31 December 2019: CNY 1 = PLN 0.5455 and this rate as of 31 March 2019: CNY 1 = PLN 0.5712;

− individual items in the statements of comprehensive income and cash flow statements
were translated at the exchange rate being the arithmetic mean of the average minimum and maximum exchange rates published by the National Bank of Poland, in force on the last day of each month; for Q1 2020 the exchange rate stood at: CNY 1 = PLN 0.5692; for Q1 2019: CNY 1 = PLN 0.5642.

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 adopted on the basis of changes in factors taken into consideration in order to make the said estimates, new data or past experience. Therefore, the estimates made as of 31 March 2020 may be subject to adjustments in the future.
Areas for which the estimates made on the reporting date carry a risk of material adjustments of the carrying amount of declared assets and liabilities in the next or subsequent financial years are presented below.

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

As of 31 March 2020 the Group's companies estimated the use periods of property, plant and equipment and of intangible assets. The analysis did not reveal the necessity to make any adjustments in this area.

3.2.Impairment of goodwill and other intangible assets in subsidiaries

As of 31 March 2020 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 the external and internal sources of information, the Management Board did not identify any premises that would validate the need to recognise any additional impairment losses.

3.3.Taxes

Given the complexity of the tax law, inconsistency of tax interpretations and far-reaching fiscal stringency of the State, the Company has assessed risks related thereto. Deferred tax assets and provisions are recognised with respect to those items which will require a tax payment in the short term, provided taxable income is generated at a level that allows these amounts to be settled.

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

At present the Company is undergoing an inspection regarding the correctness of calculating and paying into the state budget the corporate income tax for the period of August 2008 – December 2009. Meanwhile, the inspection regarding the accuracy of the declared tax bases and the correctness of calculating and paying the goods and services tax for the month of December 2008 was discontinued by means of a decision of the body of first instance dated 29/04/2020.

In addition, the following tax proceedings are pending before the courts:

- 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 bases and the correctness of VAT for individual settlement periods from July 2011 to January 2012. The decision was upheld by a decision of the Head of the Tax Chamber in Warsaw of 24/10/2016 (which the Company announced in current report no. 56/2016 of 07/11/2016). On 7 December 2016, the Company filed an appeal against the above decision with the Provincial Administrative Court, which dismissed the Company's appeal by way of the judgement of 28/12/2017. 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 bases and the correctness of VAT calculated and paid for January and February 2013. An appeal against this decision was filed with the Head of the Tax Administration Chamber, which by way of the decision of 14/03/2018 upheld the contested decision of the first instance authority. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw. By way of the ruling of 13/03/2019, the Provincial Administrative Court in Warsaw acceded to the appeal filed by the Company and fully repealed the decision of the Head of the Tax Administration Chamber in Warsaw of 14/03/2018, and the case was referred for re-examination. The above mentioned judgement is legally binding, and as a consequence the Head of the Tax Administration Chamber in Warsaw issued a decision of 22/11/2019 by which it fully repealed the decision of the first instance authority and referred the case to it for re-examination. The proceedings in this case continue.

– On 4 January 2018, a decision was issued by the Head of the Masovian Customs and Tax Office in Warsaw questioning the amount of input VAT for the period between August and December 2010. The Company appealed against that decision, which was not taken into account, because by way of a decision of 20/04/2018, the Head of the Tax Administration Chamber in Warsaw upheld the contested decision. The Company filed an appeal against that decision with the Provincial Administrative Court in Warsaw. By way of a decision of 12/03/2019, the Provincial Administrative Court in Warsaw dismissed the Company's appeal against the decision of the Head of the Tax Administration Chamber in Warsaw of 20/04/2018. The Company appealed against this ruling to the Supreme Administrative Court because it did not agree with it.

The above decisions claim the Company's legally non-existent liability for tax obligations of third parties which, at earlier stages of trading in goods, failed to pay VAT. The Company does not recognise in full these claims because it acted in accordance with the law and it was not aware of any irregularities which might have been committed by third parties at earlier stages of trading in goods. The Company properly performed its public law obligations under the disputed decisions.
The Company is of the opinion that in no way may it be currently held accountable for third parties' tax irregularities that occurred through no fault of its own.
The total value of the amounts resulting from the above decisions subject to the described court proceedings and pending VAT proceedings, recognised in the books, is PLN 72,723 thousand.

The Company exercises and has always exercised the utmost diligence while making transactions, remains and has always remained cautious in establishing cooperation, has acted and still acts in good faith in accordance with the procedures adopted by the Company and the highest standards of cooperation. In the Company's opinion, these circumstances are confirmed by the above mentioned ruling of the Provincial Administrative Court in Warsaw of 13/03/2019. Therefore, the Management Board of the Parent Company considers the likelihood of an unfavourable final result of the appeal proceedings pending to be low.

Considering the settlement periods covered by proceedings following the appeal against the tax decisions as well as the content of Article 150(1)(1) of the Polish Restructuring Law Act, any liabilities which may arise as a result of the proceedings are subject to the composition agreement by virtue of law. It is not possible to estimate the amount of potential liabilities from the ongoing inspection with respect to the income tax.

3.4.Employee benefits

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

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

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

3.6.Write-downs on receivables

The 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. Probability is estimated on the basis of the opinion of the Management Board about the recoverability of overdue receivables and an assessment of the threat of non-recoverability of overdue receivables.

4. Information about 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 component of an entity:
– which engages in business activities with respect to which it may derive revenue and incur expenses;
– whose operating results are regularly reviewed by a central body which is responsible for making decisions with regard to the entity's operations and which relies on 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 this statement in a single operating segment because:
– sales revenue earned from that business exceeds 90% of the revenue in total generated by the Capital Group;
– no separate financial information is prepared for individual sales channels, which is connected with the industry-specific pattern of cooperation with suppliers whose products are distributed through all the sales channels;
– in the absence of separate segments, i.e. non-availability of separate financial information for individual product groups, operating decisions are made on the basis of numerous detailed analyses and financial results from the sale of all products in all distribution channels;

- the Management Board of ACTION S.A. in restructuring, the chief body in charge of making operating decisions in the entity, 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.

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5. Revenue and expenses

5.1. Seasonal nature of sales

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

5.2. Revenue from sales

Most sales revenue is related to the sales of computer hardware, consumer electronics, household appliances and IT accessories.

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Revenue from sales of products (services)	4,144	5,663
Revenue from sales of goods and materials	463,410	346,666
	467,554	**352,329**

5.3. Costs by type

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Depreciation of fixed and intangible assets	2,220	2,321
Costs of employee benefits	11,936	12,076
Consumption of materials and energy	1,706	2,238
Outsourced services	8,773	9,404
Taxes and charges	336	367
Advertising expenses	1,014	1,513
Property and personal insurance	298	149
Other costs by type	55	168
Costs of products, goods and materials sold, of which:	439,683	329,642
- write-down on inventories	978	135
Total costs of products, goods and materials sold, selling and marketing expenses as well as general administrative expenses	**466,021**	**357,878**

5.4. Costs of employee benefits

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Payroll	10,034	10,285
Social security and other benefits	1,902	1,791
	11,936	**12,076**

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5.5.Other operating revenue and profits

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Surplus of foreign exchange gains	0	40
Revenue from measurement of financial instruments	477	0
Interest revenue	144	130
Revenues from overdue liabilities	244	17
Revenue from compensations received	65	86
Revenue from provisions released	55	4,058
Other revenue	28	49
Gain on disposal of non-financial financial assets	0	0
Gain on disposal of interest in a subsidiary	0	0
Gain on disposal of non-financial non-current assets	1	0
	1,014	**4,380**

5.6.Other costs and losses

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Surplus of foreign exchange losses	0	0
Costs of indemnities paid	59	52
Costs of impairment write-downs on receivables	227	8
Costs of receivables written off	137	12
Commercial interest expenses	0	0
Costs of court proceedings	9	2
Costs due to provisions established	511	0
Costs of write-downs on financial assets	0	0
Costs of donations given	0	16
Loss on disposal of non-financial fixed assets	0	0
Other costs	14	197
	957	**287**

5.7.Financial expenses

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Interest on loans and borrowings	0	38
Interest on leases	13	32
Interest and discount due to factoring	0	0
Interest on bonds	0	0
	13	**70**

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5.8.Income tax

	For the period 01/01/2020 - 31/03/2020	For the period 01/01/2019 - 31/03/2019
Current tax	0	0
Deferred tax	0	0
	0	**0**

Deferred tax

Value of deferred income tax subject to offsetting:

	31/03/2020	31/12/2019
Deferred income tax assets:		
–deferred income tax assets falling due within 12 months	6,942	7,880
	6,942	**7,880**
Deferred income tax provisions:		
–deferred income tax provisions falling due within 12 months	6,942	7,880
	6,942	**7,880**
Deferred income tax assets	**0**	**0**
Deferred income tax provisions	**0**	**0**
Deferred income tax assets/provisions (on balance)	**0**	**0**

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

	31/03/2020	31/12/2019
Opening balance	**0**	**0**
Credit to/charge on the financial result	0	0
Increase/decrease in equity	0	0
Closing balance	**0**	**0**

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 properties

Investment real properties comprise:
– acquired rights of perpetual usufruct of land,
– ownership titles to buildings with the initial value totalling PLN 3,545 thousand.

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As of 31 March 2020, the carrying amount of real properties is PLN 3,545 thousand. Revenue from rental of real properties in the reporting period was PLN 37 thousand. Real property is measured at the acquisition price.

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

As of the date of drawing up this financial statement, there were no restrictions on using investment real properties by the Company, obtaining rent-related economic benefits or disposal of the aforesaid real properties.
Investment real properties do not constitute collateral for liabilities due to loans, borrowings or other transactions.

5.11.Inventories

	31/03/2020	31/12/2019	31/03/2019
Materials	0	0	0
Goods	158,243	160,351	140,563
Advances on deliveries	0	0	0
	158,243	**160,351**	**140,563**
Write-downs on inventories	-5,096	-4,118	-4,071
Inventories	**153,147**	**156,233**	**136,492**

Write-downs on inventories

	31/03/2020	31/12/2019	31/03/2019
Opening write-down on inventories	**-4,118**	**-3,936**	**-3,936**
Created (Costs of products, goods and materials sold)	-978	-182	-135
Used	0	0	0
Released (Costs of products, goods and materials sold)	0	0	0
Closing write-down on inventories	**-5,096**	**-4,118**	**-4,071**

5.12.Write-downs on trade and other receivables

	31/03/2020	31/12/2019	31/03/2019
Opening write-downs on receivables	**-12,252**	**-12,999**	**-12,999**
Created	-375	-2,191	-62
Used	3	1,256	173
Released	180	1,682	143

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Closing revaluation write-downs on receivables	**-12,444**	**-12,252**	**-12,745**

5.13.Loans, borrowings and other liabilities on account of financing

	31/03/2020	**31/12/2019**	**31/03/2019**
Long-term			
Investment loan	0	0	0
Lease liabilities	34	74	1,454
Borrowings	0	0	0
Bond liabilities	0	0	0
	34	**74**	**1,454**
Short-term			
Overdraft and investment loan	8,261	8,261	8,345
Lease liabilities	515	508	5,217
Borrowings	1,000	1,000	1,012
Bond liabilities	103,199	103,199	103,199
	112,975	**112,968**	**117,773**
Total	**113,009**	**113,042**	**119,227**

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

	31/03/2020	**31/12/2019**	**31/03/2019**
Liabilities with the repayment period calculated from the balance sheet day			
Up to 1 year	112,975	112,968	117,773
1 to 5 years	34	74	1,454
Over 5 years	0	0	0
Total	**113,009**	**113,042**	**119,227**

Lease liabilities

	31/03/2020	**31/12/2019**	**31/03/2019**
Nominal value of minimum lease payments			
Up to 1 year	567	522	5,325
1 to 5 years	37	76	1,523
Over 5 years	0	0	0

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Total financial lease liabilities – total minimum lease payments	**604**	**598**	**6,848**
Financial costs due to financial lease	**55**	**16**	**177**
Current value of minimum lease payments			
Up to 1 year	515	508	5,217
1 to 5 years	34	74	1,454
Over 5 years	0	0	0
Total current value of minimum lease payments	**549**	**582**	**6,671**

In the period 1 January to 31 March 2020, as a result of the application of IFRS 16, costs of depreciation of the above mentioned rights to use reached PLN 94 thousand, interest costs reached PLN 30 thousand, while service costs decreased by PLN 111 thousand. As of 31 March 2020, lease liabilities after taking into account the discount amount to PLN 549 thousand (of which long-term liabilities PLN 34 thousand, and short-term liabilities PLN 515 thousand).

6. Contingent assets and liabilities

As of 31 March 2020, the Company had contingent receivables due to the repayment of receivables of PLN 6,509 thousand. Hedging liabilities under agreements signed as of the reporting date which are not reflected in the Group's interim condensed consolidated financial statements amounted to PLN 11,369 thousand as of 31 March 2020 and PLN 11,459 thousand as of 31 December 2019.

	31/03/2020	31/12/2019	31/03/2019
1. Contingent receivables	**6,509**	**7,569**	**6,880**
1.1. From other entities (due to)	6,509	7,569	6,880
– guarantees and sureties received	6,509	7,569	6,880
2. Contingent liabilities	**11,369**	**11,459**	**11,745**
1.1. To other entities (due to)	11,369	11,459	11,745
– guarantees and sureties granted	11,369	11,459	11,745
– letters of credit	0	0	0
3. Other (due to)	**0**	**0**	**0**
Total off-balance sheet items	**17,878**	**19,028**	**18,625**

7. Events after the balance sheet date

On 29 April 2020 the head of the Mazovian Customs and Tax Office in Warsaw issued a decision pursuant to which the inspection regarding VAT for December 2008 was discontinued. The value of the matter in dispute was PLN 6,761 thousand.

On 5 May 2020 the Company entered into a settlement in mediation proceedings regarding the amount receivable claimed at court from one of the counterparties of PLN 1,558 thousand on account of an agreement for the sale of goods as well as counter claims of that counterparty, of PLN 26,700 thousand, reported for set-off against the Company. Under the above settlement the parties stated that in order to fully and finally end the ongoing court proceedings between them described above, they mutually waived the claims pursued in those proceedings and mutually waived costs between them.

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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

	Q1 2020	Q1 2019
Net sales	467,554	352,329
Gross profit on sales	27,871	22,687
gross margin	*5.96%*	*6.44%*
EBIT	1,590	-1,526
EBIT margin	*-0.41%*	*-0.43%*
Net profit/loss	1,590	-1,540
net margin	*0.34%*	*-0.44%*

In Q1 2020 the Group earned sales revenue of PLN 467,554 thousand, up by 32.7% in relation to the turnover recorded in the corresponding period in the preceding year. In this period the Group recorded a profit at all analytical levels. A profit from sale of PLN 27,871 thousand, an operating profit equivalent to the net profit of PLN 1,590 thousand. In the period analysed the gross margin rate was 5.96%.

In the opinion of the Management Board of ACTION S.A. in restructuring, the results for Q1 2020 were affected mainly by the ongoing restructuring and the associated limitation of the ability to borrow. Additional significant factors included an increase in export sales of ACTION S.A. in restructuring and a growing demand for IT equipment caused by the restrictions related to the COVID-19 pandemic. The above made it possible to generate a positive financial result at all analytical levels and improve the financial situation.

In addition, sustainably positive effects of the Group's management strategy include a considerable reduction of the share of operating expenses in Q1 2020, which lead to a significant improvement of the net result, described above, compared to the corresponding period of the preceding year.

By the end of 2020 the Group will anticipate:

- a further reduction of costs resulting from optimisation of the processes taking place at the Group,
- an increased demand for goods offered by the Group's entities,
- to acquire new business partners and products to meet the current demand,
- to increase the number of customers and to develop the retail channel,
- to expand the Sferis channel and to increase the importance of foreign trade,
- effects of economic changes, in particular regarding the demand in the aftermath of the COVID-19 pandemic.

2. Description of factors and events, especially non-typical factors and events, having a material impact on the financial result achieved

In Q1 2020 the most significant factors having an impact on the performance of the Capital Group ACTION S.A. in restructuring included the ongoing restructuring proceedings at the Company and the consequences of those proceedings. The most significant unfavourable events include:

- No insurance of credit limits by insurers for all entities of the Group, which marginalised the value of deliveries performed on the basis of trade credit.
- A low level of credit limits available and renewing some of them only subject to cash security.
- Significant restriction of the availability of financing and products supporting trade.

In addition, another very significant factor in the period analysed involved the implementation of various forms of states of exception related to the COVID-19 pandemic in the territory of Poland and most European countries.
Since first reports on COVID-19, the Company has undertaken measures securing employees and trading, in particular within the supply chain. Together with reports on first cases of COVID-19 infections in Europe, the Company began to implement sanitary safety and remote work procedures. In addition, the Company re-checked existing procedures and tightened them particularly in the scope of the control of processes, information flow and cash flows.

Both first tests of the above-mentioned changes as well as the analysis of the results recorded until the preparation of these statements indicate that the Company is internally prepared to work in the conditions of the existing restrictions; however it is still difficult to determine the potential negative effects of COVID-19 and their impact on further results. The detailed description of measures is presented below.

The Management Board closely monitors the situation in connection with the development of the COVID-19 pandemic and undertakes measures securing the company and its employees:

1.At the beginning of March 2020, the company implemented hygiene measures pursuant to the WHO recommendations in this period:
a. Disinfectants were made available.
b.Educational sessions were organised for employees.
2. In subsequent weeks the company introduced further regulations, such as:
a. Rotation system of work aimed at decreasing the number of employees staying within the company's premises at the same time.
b.Test of remote work systems – at the first stage, the possibility of remote work at the level of 50 employees a day.
c. Additional hygiene and safety rules, such as additional disinfection, were introduced.
3. The current stage of ensuring work continuity:
a. Introduction of new systems of remote work – currently the system operates well with the possibility of remote work at the level of 200 employees a day.
b.Introduction of regular full disinfection of the warehouse.
c. Disinfection of pallets and equipment at the entrance to the warehouse on a daily basis.
d. Measurement of temperature of all people entering the building and mandatory hand disinfection – under the control of a supervising person.
e. Employees of the supply chain and the service were equipped with personal protective equipment (masks, goggles, gloves, overalls, protective visors).
f. The company introduced an absolute prohibition on access to the warehouse for people from outside and eliminated the employees' possibility to use public transport.
g. Education sessions are organised on a daily basis in order to increase the level of responsibility of employees from the supply chain.
The set of external factors affecting the company's operation continuity may be divided into 2 groups of negative and positive factors:

1.Negative external factors
a. Risk connected with a possible suspension of activities of courier companies:

b. Risk connected with the reduction of trained employees of the supply chain resulting from either the quarantine or the infection – the minimum number of employees necessary to maintain operations is 30 people (current number of all supply chain employees: 150 – absent employees: 40).
c. Risk of closing borders for the movement of goods – current restrictions in the entire EU have not closed borders for the movement of goods.
d. Risk of the suspension of payments of receivables by Action clients.
e. Increased foreign exchange risk accompanying the unprecedented volatility on the currency market, causing the possibility of recording both exceptional losses and profits connected with transactions made, including also transactions hedging the risk. In the period of growing uncertainty, the scale of these securities is also changing. Nevertheless, the company updates on an ongoing basis the prices of offered goods pursuant to current market rates in relation to goods measured in foreign currencies. Moreover, goods are purchased mainly against prepayments and the high warehouse rotation contributes to the low generation of differences. As a consequence, the Company is more exposed to the risk of unfavourable foreign exchange differences in relation to receivables in foreign currencies, compensating at the same time for the risk in question through the generation of above-average margins on sales made in PLN.

2. Positive external factors
a. Increase in demand for products connected with:
i. Remote work – notebooks, tablets, network infrastructure.
ii. Organisation of free time – gaming products, consoles, computers, games.
iii. Meeting needs satisfied by external services – cosmetic products, equipment used to produce food, semi-finished food products.
b. Low engagement of Action in the cooperation with retail chains and high engagement in the cooperation with the reseller base – in connection with temporary closing of most retail chains the resellers have more opportunities on the market to operate. We observed an increase in their sales and an increase in the volume served in Action during the first days of restrictions by approx. 20%.
c. Increase in demand from online stores.
i. In Poland – we cooperate with the majority of online stores and we notice an increase in their demand for goods – the only restrictions concern online stores of big retail chains which have a large stationary cost base causing temporary suspension of decisions concerning payments.
ii. Abroad – in the EU we cooperate with approx. 140 online stores in the case of which we notice an increase in demand on a daily basis in connection with the restrictions in the entire EU imposed on stationary trade.
d.Good availability of goods and two different price trends.
i. Goods in stock in Poland and the EU – prices are falling due to restrictions imposed on companies, companies are disposing of goods in order to maintain financial liquidity.
ii. Goods for production – the increase in prices due to the increase in costs of production, transport, transfer of production, limited production resources.
Such price volatility gives huge possibilities on the market in the case of good management of the stock and rotation and in the case of a highly dispersed customer base which ensures the stability of sales.

The situation is monitored in detail on a daily basis by the Company’s Management Board and, if necessary, the Management Board adjusts the existing rules of functioning, which to a great extent is supported by organisational and process changes implemented during the performance of the restructuring process.

The Management Board analysed the potential impact of the development of COVID-19 pandemic on the Companies activities in 2020 (a stress test), assuming that the forecast turnover slumps by approx. 50% as of May 2020 until the end of the year and that the cost structure is adjusted to the new situation, the Management Board sees no threat to the ongoing concern status. At the same time, the Management Board has solutions prepared in order to reduce costs in this period and, in the case of the company's business interruption for one month, for example, it is able to resume the sale and the production and to continue operations.

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 the nominal value of PLN 10,000 each and a total nominal issue value of PLN 100,000,000.
The bonds were issued pursuant to Article 9(3) of the Polish Bonds Act (non-public issue) 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 on 4 July 2017 at the nominal value. The Bonds bear interest according to the variable interest rate based on WIBOR 6M, increased by a fixed margin. Interest will be paid every six months.

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

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

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

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

4. Information on dividend paid out/declared

In 2019 the Company generated a loss.

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

The Management Board maintains the forecasts described in current report no. 40/2019 dated 03/09/2019.

6. Effects of changes in the Group’s structure

No changes occurred in the structure of the Group during the period covered by this 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 the 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 annual report 2019, i.e. 27 March 2020, included:

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Natural or legal person	Number of shares held	% share in the capital of ACTION S.A. in restructuring	Number of votes	% share in the number 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 submission date of this report for Q1 2020, i.e. 1 June 2020, remained unchanged and 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 in the number 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 submission date of the annual report for 2019, i.e. 27 March 2020, managing and supervising persons held the following shares in ACTION S.A. in restructuring:

First and last name	Function in the management 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	Chairman 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	Holder of a commercial power of attorney	1,199,390
Andrzej Biały	Holder of a commercial power of attorney	17,823

According to the information held by the Company, as of the submission date of this report for Q1 2020, i.e. 1 June 2020, the above composition did not change
and is as follows:

First and last name	Function in the management 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	Chairman of the Supervisory Board	0

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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	Holder of a commercial power of attorney	1,199,390
Andrzej Biały	Holder of a commercial power of attorney	17,823

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

On 5 May 2020 the Company entered into a settlement in mediation proceedings regarding the amount receivable claimed at court from one of the counterparties of PLN 1,558 thousand on account of an agreement for the sale of goods as well as counter claims of that counterparty, of PLN 26,700 thousand, reported for set-off against ACTION S.A. In restructuring. Under the above settlement the parties stated that in order to fully and finally end the ongoing court proceedings between them described above, they mutually waived the claims pursued in those proceedings and mutually waived costs between them.
The Company has instituted court proceedings to recover receivables in the amount of PLN 174,446 thousand from one of the banks as compensation. The bank sued does not recognise the claim. The proceedings were instituted in April 2017.
The court proceedings regarding the aforementioned cases brought by the Company 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.

The following proceedings regarding tax receivables in which the amounts arising from issued tax decisions and ongoing proceedings regarding VAT were recognised by the Company in the books for a total value of PLN 72,723 thousand, have not yet been concluded:
1. The Company filed an appeal with the Supreme Administrative Court (in connection with dismissing the Company’s appeal by the Provincial Administrative Court in Warsaw in December 2017) regarding the previously received decision of the Head of the Tax Chamber concerning VAT for individual months between July 2011 and January 2012.
2. 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. By way of the ruling of 13/03/2019, the Provincial Administrative Court in Warsaw upheld the appeal filed by the Company and fully repealed the decision of the Head of the Tax Administration Chamber in Warsaw of 14/03/2018, and the case was referred for re-examination. The above mentioned judgement is legally binding, and as a consequence the Head of the Tax Administration Chamber in Warsaw issued a decision of 22/11/2019 by which it fully repealed the decision of the first instance authority and referred the case to it for re-examination. The proceedings in this case continue.
b) from August to December 2010 By way of the decision of 12/03/2019 the Provincial Administrative Court in Warsaw repealed the Company’s appeal against the decision of the Head of the Tax Administration Chamber in Warsaw of 20/04/2018. The Company appealed against it to the Supreme Administrative Court because it did not agree with it.

In the Management Board’s opinion, court cases pending with the participation of the Group’s companies may result in charges and benefits in the scope of amounts indicated above.
The Issuer also announces that in note 3.3 *Taxes* it has reported so far the information regarding material 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 assumes, in 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 assesses the significance of proceedings also on the basis of other circumstances, such as the object of proceedings and their relation to and impact on business 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 atypical 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 letter of credit) with respect to third parties, arising from agreements signed as of 31 March 2020, amounted to PLN 11,396 thousand. The share of guarantees and sureties to one entity granted in the Company's equity did not exceed 10% and it 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 HR, economic and financial situation, financial result and ability to fulfil obligations

As in the previous periods, by the end of 2020 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 Note 2.2. *Going concern.*

13. Factors affecting the Group's results by the end of 2020

During the remainder of 2020 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. In addition, significant factors will also include the described continued impact of the COVID-19 pandemic on the economy. All factors of both internal and external nature will depend mainly on the further course of events during the restructuring proceedings.

The Management Board assessed that the most important factors affecting the results generated in the future include:

- in relation to internal factors:

1. Current analysis of effects of changes resulted from the restructuring plan implementation.
2. Current analysis of the profitability of transactions and markets served with a clear focus on the market of small clients and the retail market, in particular e-commerce in Poland and abroad.
3. Constant supervision over the development of Sferis.pl.
4. Current supervision over the scope of commercial offer and entering new markets.
5. Strict control of the effectiveness of managing the current assets, in particular stocks.
6. Control of the development of subsidiaries' operations.

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7. Current monitoring of risks connected with the operations of the Group's entities and undertaking measures aimed at their limitation or elimination.
8. Current analysis and strict control of the cost effectiveness of operations conducted.
9. Current control and effective management of finances in the conditions of limited external financing.
10. Effective use of logistic resources.
11. Impact of the COVID-19 epidemic effects, in particular in relation to possible staff limitations and subsequent changes in the existing processes and in the scope of the above listed issues.

- in relation to external factors:

1. Course of the restructuring proceedings, in particular the timing for taking key decisions by the Court, the Committee of Creditors, the Manager and other participants of the restructuring proceedings.
2. Further course of fiscal proceedings conducted against Action S.A. in restructuring and appeal proceedings connected therewith.
3. Results of fiscal proceedings conducted against the biggest competitors of the Polish entities from the Group and their impact on their operating activities and the market structure.
4. Attitude of financial institutions, including banks and insurers, towards the results of fiscal proceedings pending against entities from the sector.
5. Changes on the distribution market and consumer behaviours.
6. Technological changes in products offered.
7. Changes in market shares of the largest suppliers and recipients of the parent company of the Capital Group of ACTION S.A. in restructuring.
8. Economic and political situation in Poland and in the world.
9. Effects of implemented and planned changes in law.
10. Scale of investments implemented in Poland, in particular IT investments.
11. Changes in the current and long-term monetary policy in Poland and in the world.
12. Impact of the COVID-19 epidemic effects, in particular on supply and demand for goods offered by the entities from the Capital Group of ACTION S.A. in restructuring.

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 tables below present the amounts of mutual settlements and transactions made between the Group's companies and related entities not subject to consolidation.

Data as of 31 March 2020 and for the period 01/01/2020 to 31/03/2020

	Receivables	Liabilities	Revenue from sales	Purchases and costs
ACTION CT WANTUŁA Sp. j. *	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. **	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o. ***	0	0	0	0

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ACTION ENERGY Sp. z o.o. ****	356	0	5	0
TYTANID Sp. z o.o. *****	0	0	0	0
Total	**356**	**0**	**5**	**0**

Data as of 31 March 2019 and for the period 01/01/2019 to 31/03/2019

	Receivables	**Liabilities**	**Revenue from sales**	**Purchases and costs**
ACTION CT WANTUŁA Sp. j. *	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. **	0	0	0	0
ACTIVE SOLUTIONS Sp. o.o. ***	0	0	0	0
ACTION ENERGY Sp. z o.o. ****	2,147	130	328	816
TYTANID Sp. z o.o. *****	0	0	0	0
Total	**2,147**	**130**	**328**	**816**

* 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 – deconsolidated as of 1 January 2015 due to the loss of material influence,
***** TYTANID Sp. z o.o. with its registered office in Zamienie – it did not start business activities until the date of approval of the statement.

14.2. Transactions with associates subject to consolidation

Data as of 31 March 2020 and for the period 01/01/2020 to 31/03/2020

	Receivables	**Liabilities**	**Revenue from sales**	**Purchases and costs**
CLOUDTEAM Sp. z o. o. *	0	0	0	0
Total	**0**	**0**	**0**	**0**

Data as of 31 March 2019 and for the period 01/01/2019 to 31/03/2019

	Receivables	**Liabilities**	**Revenue from sales**	**Purchases and costs**
CLOUDTEAM Sp. z o. o. *	0	0	0	0
SYSTEMS Sp. z o.o. **	0	0	0	0
Total	**0**	**0**	**0**	**0**

* Formerly ACTION CENTRUM EDUKACYJNE Spółka z ograniczoną odpowiedzialnością.

** 28 February 2020 the date of the merger of CLOUDTEAM Sp. z o.o. with SYSTEMS Sp. z o.o. As a result of the merger the entire assets of SYSTEMS Sp. z o.o. were transferred to CLOUDTEAM Sp. z o.o. (the acquirer).

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

The interim condensed financial statements of ACTION S.A. in restructuring for the quarter ended 31 March 2020 include: the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws 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 principles in force and they give a true and fair view of the economic and financial position of the Company and its financial result.

During the period covered by the financial statement, the Company kept its accounting books in accordance with International Financial Reporting Standards ("IFRS") approved by the EU, issued and in force on the balance-sheet date, and in matters not regulated by the above standards, in compliance with the Polish Accounting Act of 29 September 1994.

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

Zamienie, 1 June 2020

V. The interim condensed financial statements of ACTION S.A. in restructuring for the period from 1 January 2020 to 31 March 2020

Selected financial data of ACTION S.A. in restructuring

SELECTED SEPARATE FINANCIAL DATA	in thousand PLN		in thousand EUR	
	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019
I. Net revenue from sale of products, goods and materials	467,552	352,287	106,351	81,969
II. Gross profit/loss on sales	27,810	22,499	6,326	5,235
III. Profit/loss on operating activities	1,880	-547	428	-127
IV. Net profit/loss attributable to the Company’s shareholders	1,879	-601	427	-140
V. Net cash flows from operating activities	11,154	10,266	2,537	2,389
VI. Net cash flows from investing activities	-177	-114	-40	-27
VII. Net cash flows from financing activities	-64	-591	-15	-138
VIII. Net increases (decreases) in cash	10,913	9,561	2,482	2,225
IX. Profit/loss per ordinary share* (in PLN/EUR)	0.11	-0.04	0.03	-0.01
	As of 31/03/2020	**As of 31/12/2019**	**As of 31/03/2020**	**As of 31/12/2019**
X. Total assets	562,768	541,681	123,623	127,200
XI. Liabilities	461,691	442,483	101,419	103,906
XII. Non-current liabilities	34	74	7	17
XIII. Current liabilities	461,657	442,409	101,412	103,888
XIV. Equity attributable to the Company’s shareholders	101,077	99,198	22,204	23,294
XV. Share capital	1,696	1,696	373	398
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)	5.96	5.85	1.31	1.37

* 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 at the same time dividing 1 share of PLN 1 into 10 shares with the nominal value of PLN 0.10. The change was made on 11 April 2006 by virtue of a resolution of the Extraordinary General Meeting of Shareholders.
*** The book value per share was calculated as the quotient of equity and the number of shares.

PLN to EUR exchange rates

For the period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as of the last day of the period
01/01/2020 – 31/03/2020	4.3963	4.3010	4.5523	4.5523
01/01/2019 – 31/12/2019	4.3018	4.2520	4.3844	4.2585
01/01/2019 – 31/03/2019	4.2978	4.2802	4.3120	4.3013

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

- items concerning the statement of comprehensive income and the cash flow statement were translated at the exchange rate being the arithmetic mean of the average minimum and maximum exchange rates published by the National Bank of Poland, in force on the last day of each month, the exchange rate for Q1 2020 stood at EUR 1 = PLN 4.3963, for Q1 2019 – EUR 1 = PLN 4.2978;
- 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 31 March 2020, this exchange rate stood at: EUR 1 = PLN 4.5523, as of 31 December 2019: EUR 1 = PLN 4.2585 and as of 31 March 2019: EUR 1 = PLN 4.3013.

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Statement of comprehensive income

All revenue and costs relate to continued activities.

	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019
Revenue from sales	467,552	352,287
Costs of products, goods and materials sold	-439,742	-329,788
Gross profit on sales	**27,810**	**22,499**
Selling and marketing costs	-18,943	-20,430
General administrative expenses	-7,030	-6,590
Other operating revenue and profits	967	4,087
Other costs and losses	-924	-113
Profit/loss on operating activities	**1,880**	**-547**
Financial expenses	-1	-54
Profit/loss before tax	**1,879**	**-601**
Income tax	0	0
Net profit/loss for the financial period	**1,879**	**-601**
Other components of comprehensive income		
Net change due to cash flow hedges	0	0
Income tax	0	0
Other components of net comprehensive income	**0**	**0**
Comprehensive income for the period	**1,879**	**-601**
Profit/loss attributed to the Company's shareholders per ordinary share (expressed in PLN per share):		
basic	0.11	-0.04
diluted	0.11	-0.04
Number of shares	**16,957,000**	**16,957,000**
Diluted number of shares	**16,957,000**	**16,957,000**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Statement of financial position

	31/03/2020	31/12/2019	31/03/2019
ASSETS			
Non-current assets			
Property, plant and equipment	148,132	149,765	156,647
Goodwill	0	0	0
Other intangible assets	6,243	6,595	7,447
Investment properties	3,545	3,545	3,545
Financial assets	6	6	330
Other financial assets	0	0	0
Deferred income tax assets	0	0	0
Trade and other receivables	0	0	0
	157,926	**159,911**	**167,969**
Current assets			
Inventories	153,116	156,178	136,400
Trade and other receivables	168,035	153,291	157,951
Current income tax receivables	0	0	0
Financial derivatives	477	0	0
Other financial assets	0	0	0
Cash and cash equivalents	83,214	72,301	89,636
	404,842	**381,770**	**383,987**
Total assets	**562,768**	**541,681**	**551,956**
EQUITY			
Share capital	1,696	1,696	1,696
Surplus resulting from the sale of shares above their nominal value	62,231	62,231	62,231
Other reserve capitals	30,000	30,000	30,000
Retained earnings	7,150	5,271	2,455
Other components of equity	0	0	0
Total equity	**101,077**	**99,198**	**96,382**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and other liabilities on account of financing	34	74	1,454
Deferred income tax provisions	0	0	0
	34	**74**	**1,454**
Current liabilities			
Trade and other liabilities	357,392	338,151	345,003
Loans, borrowings and other liabilities on account of financing	103,714	103,707	108,416
Current income tax liabilities	0	0	0
Employee benefit liabilities	551	551	701
Financial derivatives	0	0	0
Provisions for other liabilities and charges	0	0	0
	461,657	**442,409**	**454,120**
Total liabilities	**461,691**	**442,483**	**455,574**
Total equity and liabilities	**562,768**	**541,681**	**551,956**

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

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Statement of changes in equity

	Equity attributable to the Company's shareholders					Total equity
	Share capital	**Surplus resulting from the sale of shares above their nominal value**	**Retained earnings**	**Other reserve capitals**	**Capital from cash flow hedge measurement**	
As of 1 January 2020	**1,696**	**62,231**	**5,271**	**30,000**	**0**	**99,198**
Total comprehensive income			1,879			**1,879**
Dividends paid						**0**
Other						**0**
As of 31 March 2020	**1,696**	**62,231**	**7,150**	**30,000**	**0**	**101,077**
As of 1 January 2019	**1,696**	**62,231**	**3,056**	**30,000**	**0**	**96,983**
Total comprehensive income			2,208		0	**2,208**
Dividends paid						**0**
Other			7			**7**
As of 31 December 2019	**1,696**	**62,231**	**5,271**	**30,000**	**0**	**99,198**
As of 1 January 2019	**1,696**	**62,231**	**3,056**	**30,000**	**0**	**96,983**
Total comprehensive income			-601		0	**-601**
Dividends declared, subject to the composition agreement						**0**
Other						**0**
As of 31 March 2019	**1,696**	**62,231**	**2,455**	**30,000**	**0**	**96,382**

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

Cash flow statement

	Q1 For the period 01/01/2020 to 31/03/2020	Q1 For the period 01/01/2019 to 31/03/2019
Cash flows from operating activities		
Net profit/loss for the financial period	**1,879**	**-601**
Adjustments:	**9,275**	**10,867**
Income tax	0	0
Income tax paid	0	0
Depreciation of fixed and intangible assets	2,185	2,278
Profit/loss from investing activities	-318	-51
Interest revenue	-152	-135
Interest expenses	1	54
Other	0	12
Changes in working capital:		
Inventories	3,062	-8,549
Trade and other receivables	-14,744	16,102
Trade and other liabilities	19,241	1,156
Net cash flows from operating activities	**11,154**	**10,266**
Cash flows from investing activities		
Acquisition of property, plant and equipment and of intangible assets	-197	-119
Acquisition of investment real properties	0	0
Inflows from sale of property, plant and equipment and of intangible assets	0	0
Other investment inflows/outflows	20	5
Net cash flows from investing activities	**-177**	**-114**
Cash flows from financing activities		
Redemption of debt securities	0	0
Issue of debt securities	0	0
Loans and borrowings received	0	0
Repayment of loans and borrowings	0	0
Dividends paid	0	0
Interest paid	-31	-22
Payments of liabilities under financial lease agreements	-33	-569
Other financial inflows/outflows	0	0
Net cash flows from financing activities	**-64**	**-591**
Net increase/decrease in cash	**10,913**	**9,561**
Opening balance of cash	72,301	80,075
Foreign exchange gains/losses on measurement of cash	0	0
Closing balance of cash	**83,214**	**89,636**

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

Zamienie, 1 June 2020

Consolidated quarterly report of the CAPITAL GROUP ACTION S.A. in restructuring for Q1 2020 (all figures are provided in PLN thousand, unless stated otherwise)

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.

Value of deferred income tax subject to offsetting:

	31/03/2020	31/12/2019
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	6,942	7,880
	6,942	**7,880**
Deferred income tax provisions:		
– deferred income tax provisions falling due within 12 months	6,942	7,880
	6,942	**7,880**
Deferred income tax assets	**0**	**0**
Deferred income tax provisions	**0**	**0**
Deferred income tax assets/provisions (on balance)	**0**	**0**

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

	31/03/2020	31/12/2019
Opening balance	**0**	**0**
Credit to/charge on the financial result	0	0
Increase/decrease in equity	0	0
Closing balance	**0**	**0**

2. Write-downs on assets

2.1 Write-downs on long-term financial assets

	31/03/2020	31/12/2019	31/03/2019
Opening write-down on long-term financial assets	**-18,062**	**-18,040**	**-18,040**
Created	0	-324	0
Used	3,846	302	0
Released	0	0	0
Closing write-down on long-term financial assets	**-14,216**	**-18,062**	**-18,040**

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2.2 Impairment losses on short-term financial assets

	31/03/2020	31/12/2019	31/03/2019
Opening write-down on short-term financial assets	**-12,877**	**-13,091**	**-13,091**
Created	0	0	0
Used	9,755	0	0
Released	20	214	0
Closing write-down on short-term financial assets	**-3,102**	**-12,877**	**-13,091**

2.3 Write-downs on inventories

	31/03/2020	31/12/2019	31/03/2019
Opening write-down on inventories	**-4,118**	**-3,936**	**-3,936**
Created (Costs of products, goods and materials sold)	-978	-182	-135
Used	0	0	0
Released (Costs of products, goods and materials sold)	0	0	0
Closing write-down on inventories	**-5,096**	**-4,118**	**-4,071**

2.4 Write-downs on trade and other receivables

	31/03/2020	31/12/2019	31/03/2019
Opening write-down on receivables	**-24,989**	**-29,484**	**-29,484**
Created	-375	-2,673	-52
Used	3	1,256	173
Released	153	5,912	132
Closing write-down on receivables	**-25,208**	**-24,989**	**-29,231**

3. Contingent assets and liabilities

As of 31 March 2020 the Company held contingent receivables due to the repayment of receivables in the amount of PLN 6,509 thousand. Hedging liabilities under agreements signed as of the reporting date which are not reflected in the Company's interim condensed financial statements amounted to PLN 11,396 thousand as of 31 March 2020 and PLN 11,459 thousand as of 31 December 2019.

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	31/03/2020	31/12/2019	31/03/2019
1. Contingent receivables	**6,509**	**7,569**	**6,880**
1.1. From related entities (due to)	0	0	0
– guarantees and sureties received	0	0	0
1.2. From other entities (due to)	6,509	7,569	6,880
– guarantees and sureties received	6,509	7,569	6,880
2. Contingent liabilities	**11,396**	**11,459**	**11,745**
1.1. To related entities (due to)	0	0	0
– guarantees and sureties granted	0	0	0
1.2. To other entities (due to)	11,396	11,459	11,745
– guarantees and sureties granted	11,396	11,459	11,745
– letters of credit	0	0	0
3. Other (due to)	**0**	**0**	**0**
Total off-balance sheet items	**17,878**	**19,028**	**18,625**

Guarantees and sureties granted

As of 31 March 2020 the value of guarantees and sureties granted stood at PLN 11,369 thousand, of which:

to other entities

Bank guarantees for the total amount of (USD 58 thousand) PLN 242 thousand,
Bank guarantees for the total amount of (EUR 80 thousand) PLN 364 thousand,
Bank guarantees for the total amount of PLN 10,790 thousand.

4. Business combinations

On 01/10/2019, 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 (as the acquiring company) with the following subsidiary: ACTIONMED Spółka z ograniczoną odpowiedzialnością with its registered office in Zamienie (KRS: 0000541597) – as the acquired company.

The combination was carried out pursuant to Article 492(1)(1) of the Polish Commercial Companies Code (merger by acquisition) by transferring all assets of the acquired company to the Issuer. Due to the fact that the Acquiring Company directly held 100% of shares in the share capital of the Acquired Company, the merger of the Companies was carried out without an increase in the share capital of the Acquiring Company (Articles 515(1) and 514 of the Polish Commercial Companies Code).

Pursuant to Article 494(1) of the Polish Commercial Companies Code, on 01/10/2019 (the merger date), ACTION S.A. in restructuring entered into all rights and obligations of ACTIONMED Sp. z o.o.

In the case of mergers of entities under the joint control, the Group does not apply regulations resulting from IFRS 3, in connection with the exclusion of the application of these IFRS for this type of transactions, but settles such transactions using a method similar to the uniting-of-interests method in the following way:

a) assets and liabilities of the acquired entity are recognised at the carrying value. The carrying value is deemed to be rather the value which was originally determined by the controlling entity than values resulting from the acquired entity's separate financial statement.

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b) intangible assets and contingent liabilities are recognised under the rules applied by the entity before the merger, pursuant to relevant IFRS,
c) the company's goodwill does not arise – the difference between the payment transferred and the controlled entity's net assets purchased is recognised directly in the capital, under the item: returned profits,
d) non-controlling interests are measured in the proportion corresponding to the carrying value of the controlled entity's net assets,
e) comparative data are transformed as if the merger took place at the beginning of the comparative period. If the date on which a relationship of subordination arises is subsequent to the beginning of the comparative period, comparative data are presented as of the moment when the relationship of subordination occurred for the first time.

Therefore, the Company adjusted comparative data for 2018 retrospectively as if the merger took place at the beginning of the previous reporting period. In connection with the requirements of IAS 1 Article 40b in conjunction with Article 40a, the Company presented its third report on operations at the beginning of the previous period.

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

Restatement of the statement of financial position

	31/03/2019 Data before the merger	*Change*	**31/03/2019** Data after the merger
ASSETS			
Non-current assets			
Property, plant and equipment	156,628	*19*	156,647
Goodwill	0	*0*	0
Other intangible assets	7,447	*0*	7,447
Investment properties	3,545	*0*	3,545
Financial assets	330	*0*	330
Other financial assets	0	*0*	0
Deferred income tax assets	0	*0*	0
Trade and other receivables	0	*0*	0
	167,950	***19***	**167,969**
Current assets		*0*	
Inventories	136,054	*346*	136,400
Trade and other receivables	160,401	*-2,450*	157,951
Current income tax receivables	0	*0*	0
Financial derivatives	0	*0*	0
Other financial assets	0	*0*	0
Cash and cash equivalents	89,414	*222*	89,636
	385,869	***-1,882***	**383,987**
Total assets	**553,819**	***-1,863***	**551,956**
EQUITY			
Share capital	1,696	*0*	1,696
Surplus resulting from the sale of shares above their nominal value	62,231	*0*	62,231
Other reserve capitals	30,000	*0*	30,000

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Retained earnings	4,920	*-2,465*	2,455
Other components of equity	0	*0*	0
Total equity	**98,847**	***-2,465***	**96,382**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and other financial liabilities	1,454	*0*	1,454
Trade and other liabilities	0	*0*	0
Deferred income tax provisions	0	*0*	0
	1,454	***0***	**1,454**
Current liabilities			0
Trade and other liabilities	344,401	*602*	345,003
Loans, borrowings and other liabilities on account of financing	108,416	*0*	108,416
Current income tax liabilities	0	*0*	0
Employee benefit liabilities	701	*0*	701
Financial derivatives	0	*0*	0
Provisions for other liabilities and charges	0	*0*	0
	453,518	***602***	**454,120**
Total liabilities	**454,972**	***602***	**455,574**
Total equity and liabilities	**553,819**	***-1,863***	**551,956**

Restatement of the statement of comprehensive income

	For the period 01/01/2019 to 31/03/2019 Data before the merger	*Change*	**For the period 01/01/2019 to 31/03/2019 after the merger**
Revenue from sales	352,453	*-166*	352,287
Costs of products, goods and materials sold	-329,995	*207*	-329,788
Gross profit/loss on sales	**22,458**	***41***	**22,499**
Selling and marketing costs	-20,014	*-416*	-20,430
General administrative expenses	-6,431	*-159*	-6,590
		0	
Other revenue and profits	4,079	*8*	4,087
Other costs and losses	-113	*0*	-113
Operating profit/(loss)	**-21**	***-526***	**-547**
Financial expenses	-54	*0*	-54
Profit/(loss) before tax	**-75**	***-526***	**-601**
Income tax	0	*0*	0
Net profit (loss) for the financial year	**-75**	***-526***	**-601**
Other components of comprehensive income			
Net change due to cash flow hedges	0	*0*	0
Income tax	0	*0*	0
Other components of net comprehensive income	**0**	***0***	**0**

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Comprehensive income for the period	**-75**	***-526***	**-601**
Profit/(loss) attributable to the Company's shareholders per ordinary share during the period (expressed in PLN per share)			
– basic	-0.00	*-0.03*	-0.04
– diluted	-0.00	*-0.03*	-0.04
Number of shares	**16,957,000**		**16,957,000**
Diluted number of shares	**16,957,000**		**16,957,000**

These interim condensed consolidated financial statements were approved by the Management Board of ACTION S.A. in restructuring on 1 June 2020.

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

Zamienie, 1 June 2020