



**PRESENTATION OF FINANCIAL RESULTS  
RECORD YEAR FOR THE ACTION GROUP**

January-December 2013

*Warsaw, 20 March 2014*



# PRESENTATION OUTLINE

## 1. Major events in 2013

## 2. Financial results

## 3. Companies and projects of the Action Group in 2013

## 4. International expansion – DEVIL

## 5. Private labels

## 6. Directions of development

## 7. Foundations of the Action Group

## 8. Issue of shares

Grupa Kapitałowa ACTION S.A.

 **ACTION**<sup>®</sup>

 **Active Jet**  **SFERIS**<sup>®</sup>

 **Actis**  **gram.pl**<sup>®</sup>



# MAJOR EVENTS

## KEY ELEMENTS OF SUCCESS

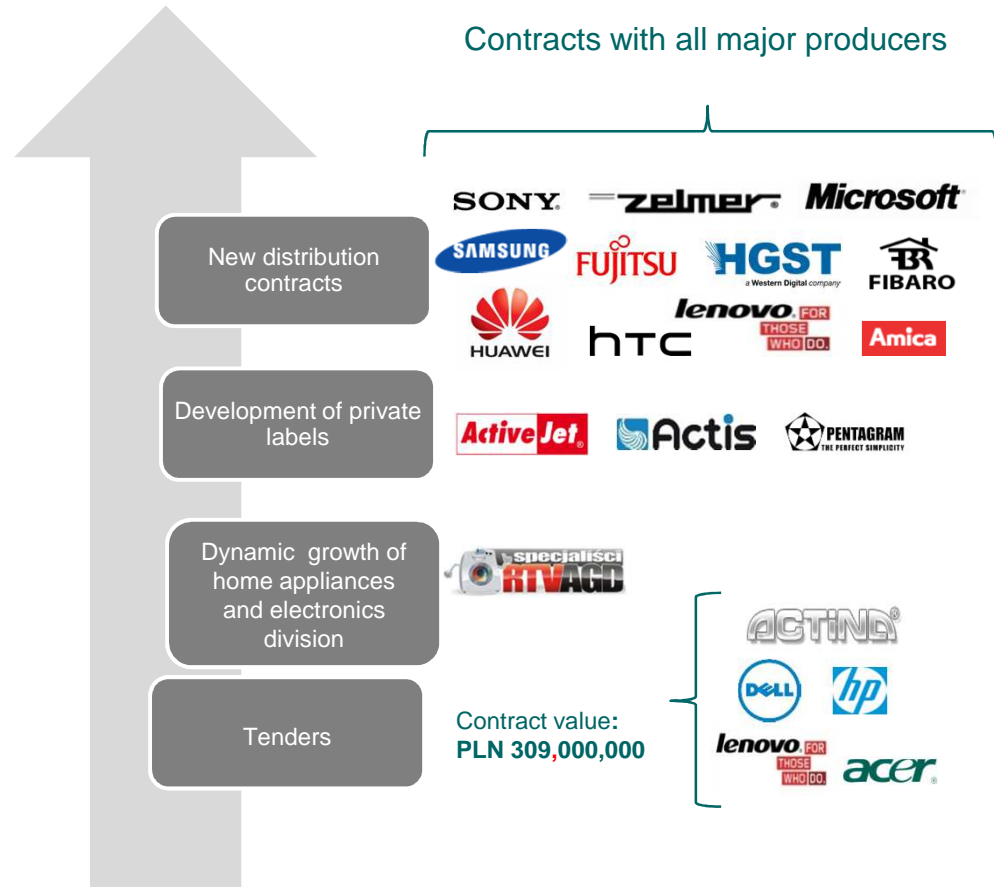
- Entry into the German market through Devil GmbH
- Contracts signed with leading producers of smartphones and tablets
- Contracts signed with all key producers of household appliances and consumer electronics

## ACHIEVEMENTS IN 2013

- Sales growth by **35.1%**, including :
  - ✓ Domestic sales growth by 24.4%
  - ✓ International sales growth by 62.4%
- Record net profit of PLN **61,608** thousand – profit growth by **27.5%**
- Exceeding the target forecast
- Successful implementation of ERP system in Sferis



## GROWTH FACTORS





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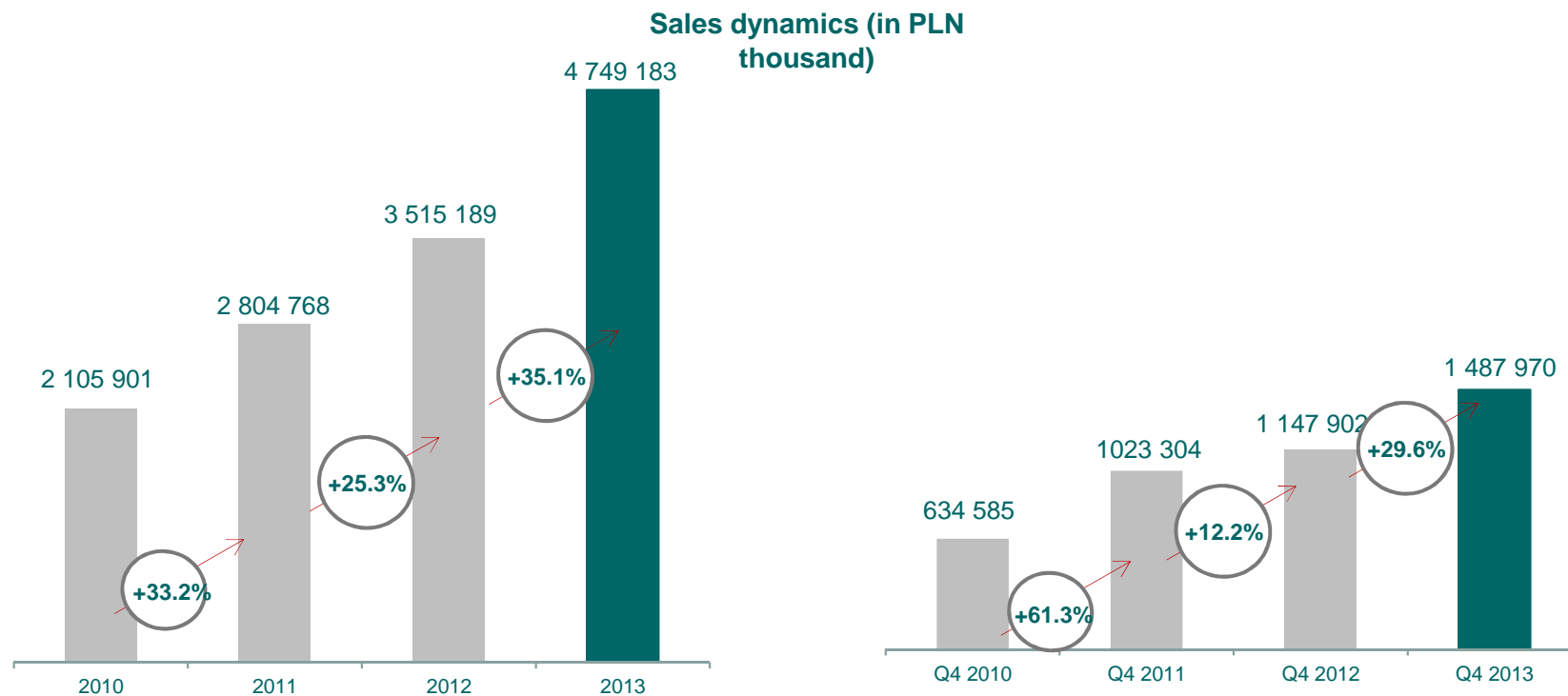
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# FINANCIAL RESULTS

## ACTION GROUP'S SALES DYNAMICS

- Record sales in Q4 2013 and record results in December – over PLN 500 million
- Steady growth trend in recent years



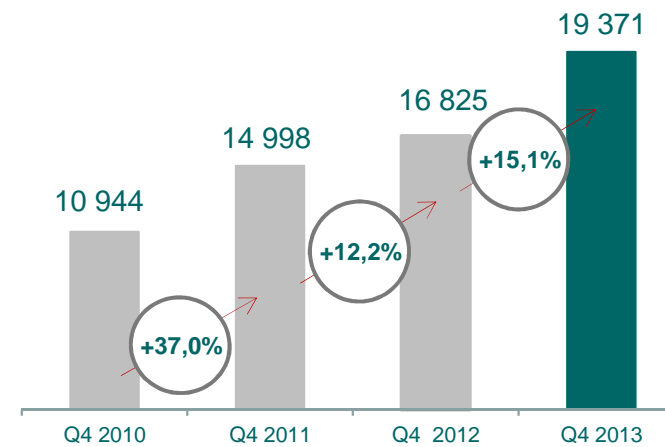
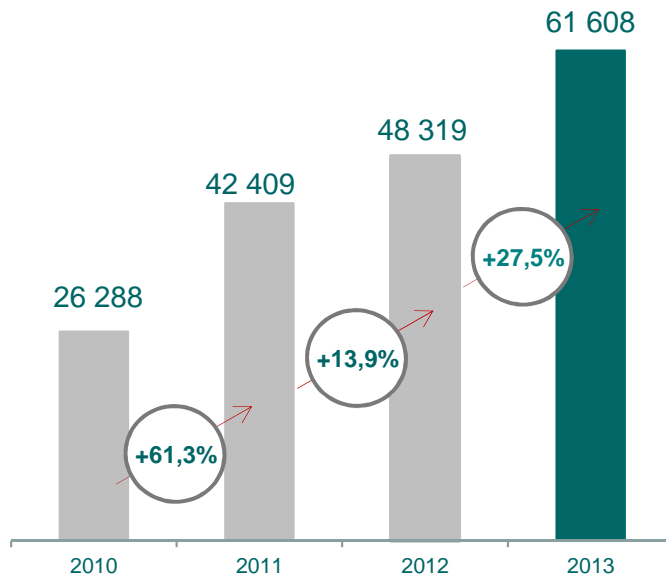


# FINANCIAL RESULTS

## ACTION GROUP'S NET PROFIT DYNAMICS

- Record net profit in Q4 2013
- Steady growth trend in recent years

Net profit dynamics (in PLN thousand)



# FINANCIAL RESULTS

## ACTION GROUP'S SELECTED FINANCIAL FIGURES

|                                 | Q4 2012          | Q4 2013          | %               | 2012             | 2013             | %               |
|---------------------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|
| <b>Sales revenues</b>           | <b>1,147,902</b> | <b>1,487,970</b> | <b>29.6%</b>    | <b>3,515,189</b> | <b>4,749,183</b> | <b>35.1%</b>    |
| Gross profit on sales           | 68,504           | 99,225           | 44.8%           | 226,806          | 297,108          | 31.0%           |
| <i>Gross margin on sales</i>    | <b>6.0%</b>      | <b>6.7%</b>      | <b>0.7% pp</b>  | <b>6.5%</b>      | <b>6.3%</b>      | <b>-0.2% pp</b> |
| Sales and marketing costs       | -38,595          | -61,490          | 59.3%           | -134 819         | -182,755         | 35.6%           |
| <i>In relation to revenues</i>  | <b>-3.4%</b>     | <b>-4.1%</b>     | <b>-0.7% pp</b> | <b>-3.8%</b>     | <b>-3.8%</b>     | <b>0.0% pp</b>  |
| General administrative expenses | -5,714           | -8,831           | 54.6%           | -23,701          | -27,705          | 16.9%           |
| <i>In relation to revenues</i>  | <b>-0.5%</b>     | <b>-0.6%</b>     | <b>-0.1% pp</b> | <b>-0.7%</b>     | <b>-0.6%</b>     | <b>0.1% pp</b>  |
| Other revenues and expenses     | -1,091           | -4,677           | 328.7%          | -22              | -4 597           | 20,795.5%       |
| Result of operating activities  | <b>23,104</b>    | <b>24,227</b>    | 4.9%            | <b>68 264</b>    | <b>82 051</b>    | 20.2%           |
| Net financial costs             | -1,894           | -1,107           | -41.6%          | -7,343           | -5,190           | -29.3%          |
| Net result                      | <b>16,825</b>    | <b>19,371</b>    | <b>15.1%</b>    | <b>48,319</b>    | <b>61,608</b>    | <b>27.5%</b>    |
| <b>Net profit margin</b>        | <b>1.5%</b>      | <b>1.3%</b>      | <b>-0.2% pp</b> | <b>1.4%</b>      | <b>1.3%</b>      | <b>-0.1% pp</b> |

# FINANCIAL RESULTS

## ACTION GROUP'S LIQUIDITY

| Liquidity ratios   | 31/12/2013 | 31/12/2012 |
|--|------------|------------|
| <b>Current ratio</b> (current assets / current liabilities)      | 1.19       | 1.20       |
| <b>Quick ratio</b> (liquid current assets / current liabilities) | 0.75       | 0.70       |

| Debt ratios               | 31/12/2013 | 31/12/2012 |
|---------------------------|------------|------------|
| <b>General debt ratio</b> | 73.87%     | 71.19%     |
| <b>Equity debt ratio</b>  | 26.13%     | 28.81%     |

**IMPROVEMENT OF BUSINESS RATIOS WITH PARALLEL REVENUE GROWTH**



# BALANCE SHEET STRUCTURE

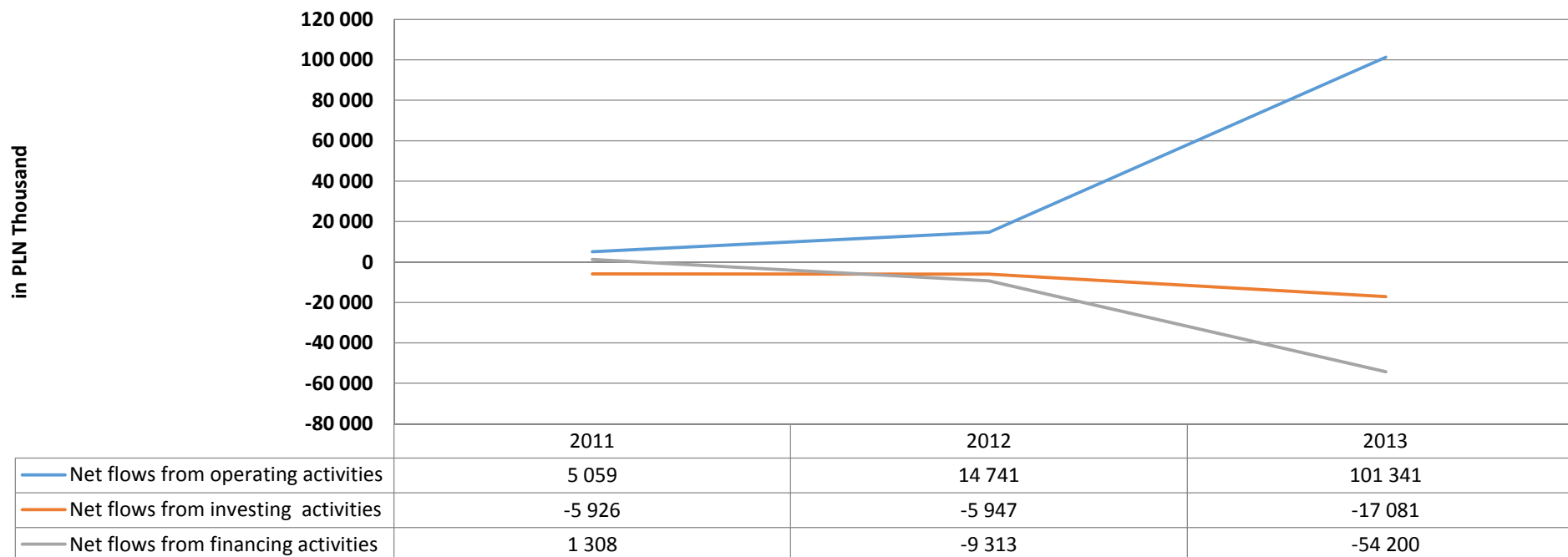
## EFFECTIVE MANAGEMENT OF FINANCES

|    |                                 | 2011          | 2012          | 2013          |
|----|---------------------------------|---------------|---------------|---------------|
| 1  | Inventory                       | 297,541       | 315,808       | 369,599       |
| 2  | Trade receivables               | 326,700       | 439,345       | 593,823       |
| 3  | Current liabilities             | 542,138       | 636,428       | 844,722       |
| 4  | Working capital                 | 90,458        | 126,681       | 160,984       |
| 5  | % of sales                      | 3.23%         | 3.60%         | 3.39%         |
| 6  | Interest debt                   | 94,702        | 106,646       | 80,556        |
| 7  | Cash and its equivalent         | 8,194         | 7,674         | 37,735        |
| 8  | Net interest debt (6-7)         | 86,508        | 98,972        | 42,813        |
| 9  | <b>EBITDA</b>                   | <b>68,794</b> | <b>79,625</b> | <b>91,351</b> |
| 10 | <b>Net interest debt EBITDA</b> | <b>1.26</b>   | <b>1.24</b>   | <b>0.47</b>   |

# CASH FLOWS

## ACTION GROUP

### Dynamics of changes in cash flows of ACTION GROUP





# TURNOVER RATIOS

*FURTHER EFFICIENCY IMPROVEMENT*

*UNDOUBTEDLY THE SHORTEST CASH CONVERSION CYCLE COMPARED TO COMPETITORS*

|                        | <b>2013</b>  |
|------------------------|--------------|
| Inventory turnover     | 30.30        |
| Receivables turnover   | 45.64        |
| Payables turnover      | 62.34        |
| <b>Cash conversion</b> | <b>13.60</b> |



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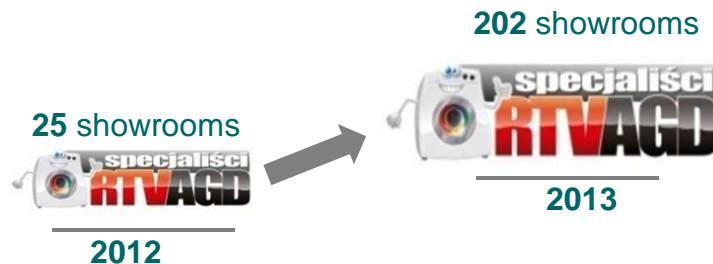


# ACTION GROUP'S COMPANIES AND PROJECTS

## DEVELOPMENT OF THE PRODUCTS AND SERVICES OFFERED

### DYNAMIC DEVELOPMENT OF PARTNER PROGRAMME *SPECJALIŚCI RTV/AGD*

#### Increase in the number of partner showrooms



- 250 showrooms planned in 2014

#### Sales growth in the sector of home appliances and consumer electronics

- Sales growth by **58.3 %** 2012 vs 2013
- Sales growth by **86.5%** Q4 2012 vs 2013

#### New solutions

- Electronic Sales Support System
- Extended warranty
- Marketing activities

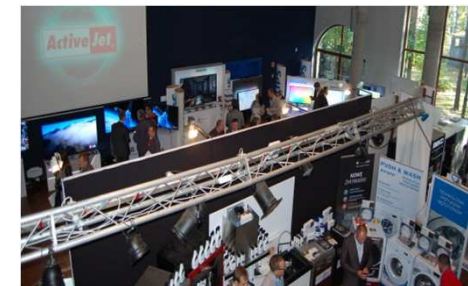
#### Key events in 2013

- Conference for all participants of the partner programme



- First edition of Action Home Appliance and Electronics Fair

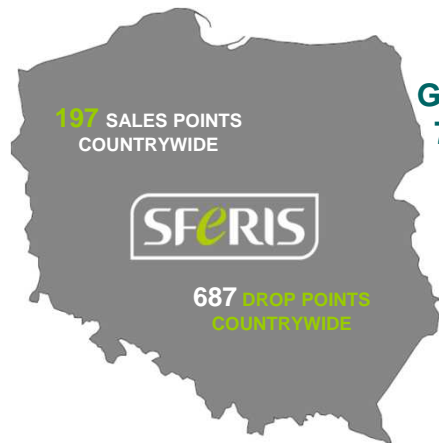
- 29 exhibitors
- over 300 visitors



# ACTION GROUP'S COMPANIES AND PROJECTS

## RETAIL CHAIN DEVELOPMENT, E-COMMERCE

### SFERIS RETAIL CHAIN



Gradual sales growth:  
7.21% (2012 vs. 2013)

- 127 partner showrooms vs. 101 at the end of 2012
- 24 own showrooms vs. 29 at the end of 2012
- 46 display islands vs. 49 at the end of 2012

### E-COMMERCE



- Sales growth: 29.6 % (2012 vs. 2013)
- Consistent expansion of product portfolio
- Digital distribution of games

- 8,600 items on offer
- 8,200 transactions per month
- 276,000 unique users
- 687 drop points (including Orlen petrol stations)

### Intensive marketing actions

- Marketing activities
- Special actions involving the largest producers





# ACTION GROUP'S COMPANIES AND PROJECTS

## DEVELOPMENT OF PRODUCTS AND SERVICES OFFERED

### B2B OFFER DEVELOPMENT

Digital Signage - B2B Visual Displays

- Leader in Digital Signage sales
- Wide array of customers: *retail, HoReCa, shopping centres, railway stations, industry, office, management centres, cinemas, banks, advertising agencies, outdoor, airports, etc.*



### ACTION ENTERPRISE

- No. 1 distributor of **FUJITSU**
- Growing number of customers:



- Development of customer base
- Sales growth by **224.5%** 2012 vs. 2013

### EDUCATIONAL ACTIVITIES

#### ACTION EDUCATIONAL CENTRE

- **4000** people trained in 2013
- Development of training services
- Active promotion of Cloud Labs
- Modern customer service
- Best Examination Centre of 2013 in the Microsoft Certification category



#### PARTNER CHANNEL EDUCATION

- Road Shows
- Training
- Workshops
- 

**We instruct how to generate services based on the latest technologies**

Building a complementary offer of products and services using new technologies for homes and companies.





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# INTERNATIONAL EXPANSION

## DEVIL GmbH DEVELOPMENT



- Company founded based on unencumbered assets of Devil AG.
- **EUR 28.5 million** in turnover in Q3 and Q4 2013
- Steadily rising client base:
  - **3,500** regular customers since the company's foundation
  - over **2,000** customers served per month
- Significant distribution agreements:



## INTENSIVE EXPORT DEVELOPMENT

- Turnover growth by **52%** 2012 vs. 2013
- Export to **45 countries**: including all European countries, United Arab Emirates, Hong Kong, Singapore, Israel, Russia



**EXPORT TO 481 CUSTOMERS WORLDWIDE**

# INTERNATIONAL EXPANSION

## PROSPECTS



- Takeover of 100% shares by ACTION S.A.
- Change of business name to ACTION EUROPE GmbH
- Adjustment of organizational structure to ACTION S.A
- Integration of IT systems
- Adding to the base of goods and providing customers with a complete product base
- Improvement of insurance coverage and factoring conditions
- Acquiring new distribution contracts



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# PRIVATE LABELS

## CONSISTENT DEVELOPMENT



### ACTIVE JET, ACTIS – UNCHALLENGED MARKET LEADER



- ActiveJet and Actis as the leader of the alternative consumables market
- Introduction of lighting products to new retail chains: Leroy Merlin, Carrefour, Grupa Polskie Składy Budowlane, Brico Marche

### STEADY EXPANSION OF OFFER

- Complex offer of alternative consumables
- Development of the lighting product group

### GEOGRAPHIC DIVERSIFICATION

- Sales development through Devil GmbH
- Entry into new European markets



### PARTICIPATION IN INTERNATIONAL FAIR

### PENTAGRAM – DYNAMIC DEVELOPMENT



Tablets, network devices, mobile phones

- Over **472,000** products sold
- Almost **224,000** tablets sold
- Brand praised in specialist publications



### DEVELOPMENT OF SALES CHANNELS

- TELCO
- Retail chains
- Dealer channel





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# DIRECTIONS OF DEVELOPMENT FOR THE ACTION GROUP

## DEVIL GMBH



Building a strong distributor position in Germany

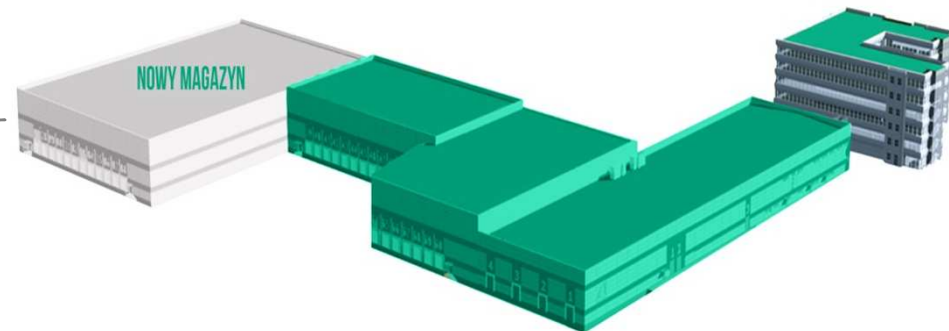
## BUSINESS DEVELOPMENT IN POLAND

- Development of the e-commerce offer
- Development of household appliance and audio/video division
- Enterprise offer development
- Product offer expansion
- New sectors
- Warehouse and logistics services to third-party companies

## CONSISTENT DEVELOPMENT OF PRIVATE LABELS



## LOGISTICS CENTRE ACTION S.A.



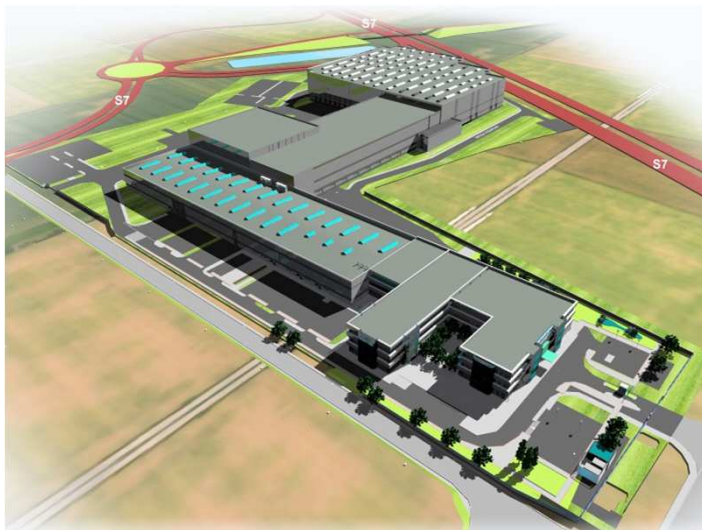
# DIRECTIONS OF DEVELOPMENT

## EXTENSION OF THE LOGISTICS CENTRE

### THE MOST MODERN LOGISTICS CENTRE IN POLAND

### NEW LOGISTICS SOLUTIONS

#### EXCELLENT LOCATION



- Excellent transport node – direct vicinity of the express road S-7 connecting Gdańsk with Krakow
- Two exits off the road and roundabouts located close to the logistics centre



- Automated case-picking system **AKL "Mini Load"** handling 20,000 cases
- Ultimately approx. **5 km** of modern conveyor lines
- New, three-storey cross-dock warehouse
- Modern machines for automated shaping, filling and closing of cardboard boxes
- 6 intelligent MX forklifts for the high-storage warehouse, operating based on inductive loops and integrated with the WMS system
- Combining all warehouses into one, highly efficient logistic **ecosystem**

# DIRECTIONS OF DEVELOPMENT FOR ACTION GROUP

## EXTENSION OF THE LOGISTICS CENTRE

### SIGNIFICANT IMPROVEMENT OF WAREHOUSE PARAMETERS

#### EXTENSION COST

Total extension cost: **PLN 76,000,000**

- Construction work: **PLN 57,150,000**
- Financing:
  - 80% - long-term loan, i.e. repaid until end-2018
  - 20% - own contribution
- Automatics: **€ 4,500,000**
- Financing:
  - 80% - lease facility
  - 20% - own contribution

**32,000 SQ M**  
2013

OWN WAREHOUSE SPACE

**52,000 SQ M**  
2014

**45,000** parcels per day in 2013

WAREHOUSE CAPACITY

over **100,000** parcels per day in 2014

**18,000 SKUS**  
2013

STOCK KEEPING UNITS

over **50,000 SKUS**  
2014



# DIRECTIONS OF DEVELOPMENT FOR ACTION GROUP

## EXTENSION OF THE LOGISTICS CENTRE

### PROJECT'S COMPETITIVE ADVANTAGES

#### COST-EFFICIENCY

- **Short project completion period:**
  - own team of warehouse analysts and programmers
  - original, innovative Warehouse Management System software
  - extensive experience in analyses, design and implementation of WMS systems
  - cutting down investment costs through the optimization and effective use of the existing infrastructure, including connecting the **whole** new warehouse to the existing **sorter**

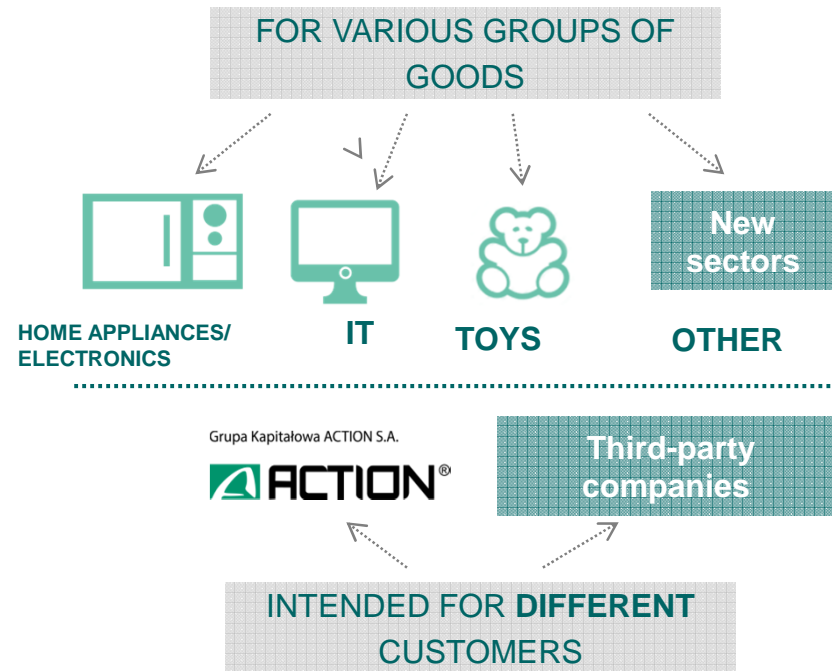


1,000 parcels/h (2013)

5,000 parcels/h (2014)

- Smooth and complex handling of all types of orders and all warehouse processes, achieved by integrating the new warehouse section with the existing logistics facility
- **Two-fold** increase of the whole complex's capacity with only **20%** growth in staff headcount

#### UNIVERSALITY





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# FOUNDATIONS OF THE ACTION GROUP

## GROWTH AREAS

### STRONG DISTRIBUTOR

- ✓ Presence in two countries already: Poland and Germany



- ✓ Over **35,000** products
- ✓ Over **550** – IT equipment, radio and television products, home appliances, mobile devices and more, from the strongest global brands
- ✓ Diversified sales channels

### ADVANCED IT SYSTEMS

- ✓ I-service
- ✓ **BitStore** sales platform
- ✓ **WebService**
- ✓ **XML** - Customer receives a ready product base (description, product specification, photos)

### UNIQUE KNOW - HOW

- ✓ Employee competence building programme
- ✓ Solutions for **e-commerce and B2B**
- ✓ **ACTION Educational Centre**
- ✓ Building a home appliance/consumer electronics network
- ✓ Setting trends in the sector – e.g. **ActiveJet** marketing

### GLOBAL LOGISTICS

- ✓ **over 29 thousand** square meters of storage space
- ✓ **over 2.5 km of modern conveyor lines**
- ✓ **up to 45 thousand** parcels shipped daily – capacity of the main warehouse
- ✓ **approx. 5 thousand parcels shipped per hour** - maximum speed of the fast sorter
- ✓ Beginning of construction works on a **new logistics section**

### RELIABLE PARTNER

- ✓ Valued private labels
- ✓ Stable financial standing
- ✓ Over **20 years** of experience
- ✓ Certificates confirming quality:





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# ISSUE OF SHARES

## ISSUE OBJECTIVES

- Sustaining the dynamic development of the Corporate Group
- Expansion on the German market
  - development of the German company to the level comparable to ACTION S.A. in a short time span
  - capital increase in the German company
- Maintaining good financial standing in the opinion of insurers
- Financing the working capital required to enter into new sectors of activity
- Acquisitions



 **ACTION**®

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