



**RESULTS PRESENTATION
2016**



Initiation of restructuring proceedings

Negative market reactions



**Restrictions on
access to financing**



**Lack of
Insurances**



**Contracts
Termination**



**Unequal Treatment
by market players**



**Contracts
Freeze**



**Suspicion with respect of
subsidiaries and own
brands**

Financial results

Selected consolidated financial data of ACTION S.A.

	2015	2016	IVQ 2015	IVQ 2016
Revenues from sales of products	4 685 978	2 585 059	1 396 345	483 992
Gross profit	208 159	95 120	55 916	- 8 878
Cost of sales and marketing	- 145 546	- 116 653	- 44 019	- 26 490
General administrative expenses	- 27 014	- 27 049	- 8 240	- 8 924
Other income and costs	1 128	- 105 556	- 151	- 103 926
Profit from operating activities	36 727	- 154 138	3 506	- 148 218
Net financial expenses	- 7 540	- 7 361	- 2 249	- 2 080
Net result	24 088	- 154 414	698	- 145 110

Selected consolidated financial data of ACTION Capital Group

	ROK 2015	ROK 2016	IVQ 2015	IVQ 2016
Revenues from sales of products	5 312 134	3 164 837	1 580 801	604 024
Gross profit	288 284	169 900	80 386	7 315
Cost of sales and marketing	- 217 829	- 190 111	- 65 085	- 44 423
General administrative expenses	- 35 831	- 37 319	- 10 894	- 11 674
Other revenues and costs	392	-90 006	- 1 264	- 84 836
Profit from operating activities	35 016	-147 536	3 143	- 133 618
Net financial expenses	- 8 058	- 8 218	- 2 431	- 2 478
Net profit attributable to the Company's shareholders	23 232	- 159 753	722	- 144 490

Financial result - factors



Costs of:

- **Financial reserves** created for potential liabilities arising from tax decisions issued in 2016 and financial reserves created for loan repayment guarantees for Lapado GmbH
- Impairment of financial assets, mainly in Sferis Sp. z. o.o. and Lapado GmbH
- Revaluation write-downs on receivables from Subsidiaries Companies and ACTION receivables S.A. in restructuring with respect to other contractors

Losses:



- Related to the sale of goods for which producers have withdrawn support during the restructuring procedure and direct costs of restructuring proceedings
- Related to Subsidiaries Companies which are the consequence of the opening of restructuring proceeding of ACTION S.A. and related obstacles of running business by subsidiaries, especially the withdrawal of financing

Cash Flow

	ACTION 2016	GK ACTION 2016
Net cash flows from operating activities	113 169	104 494
Net cash flows from investing activities	61	- 3 897
Net cash flows from financing activities	1 012	13 723

Cash conversion cycle

	ACTION 2016	GK ACTION 2016
Warehouse rotation	37	36
Incoming receivables	64	53
Obligations repayment	75	64
Cash conversion	26	26

„In the fast-growing world, the only strategy that is doomed on failure is to not take risks.”

– Mark Zuckerberg, Facebook

Restructuring Proceedings in ACTION S.A.

Develop a new strategy

GROWTH MARKET AND INDUSTRIAL ANALYSIS AS A POINT TO EXIT STRATEGY

Creating a concept for the new Business Strategy of Action S.A.

Transforming the new strategy into a restructuring plan

Commission of restructuring processes:

- Reduce costs
- Internal consolidation
- Improving processes
- Educate employees and customers

Current, strategically communicated communication with external and internal environment

New strategy implementation

INDEPENDENCE AND MARKET PRICE AS A NEW BASE OF BUSINESS

Independence from producers:

- Restore control over sales channels
- Offering market price
- No risk of concentration

Realization of sales with limited support from manufacturers

Extension of the offer for products from other branches characterized by high margins

Formation the **Action Business Center:**

Real support for business partners' support and offer value added

Negative external events



3 COOPERATING BANKS

They change their credit policy against Action contrary to the restructuring law



1 BANKRUPTCY OF SUBSIDIARY COMPANY
SFK declares bankruptcy as a result of unfavorable decision



3 creditors appointed by the Court
Refuse to participate as a member of the board of creditors

Restructuring Proceeding (01.08.2016 – 31.12.2016)



Stop the outflow of customers



Stockroom sale without support from manufacturers



Negotiations :

- **With customers about shopping**
- **With suppliers for clearance of sell out products**



Index cleaning - restructuring of the offer

**„What is dangerous in business - is not
to develop”**

– Jeff Bezos, Amazon

Achievements 2016

ACTION Europe



ACTION EUROPE AS A TEST OF NEW BUSINESS STRATEGY OF ACTION S.A.

Positive financial result

Positive financial result of more than 340 thousand euro

Increase margin by 0,5%

Consequent optimization of internal processes

- Control processes
- Logistics processes
- Strong reduction of costs and employment

Maintaining relationships with major financial institutions despite the restructuring of the mother company

Further increase synergies between ACTION Europe and ACTION S.A.

New international suppliers = even more competitive prices

Sferis

E-COMMERCE AS ONE OF NEW PILLOWS OF THE BUSINESS MODEL OF ACTION GROUP

Strong development of e-commerce platform :

- Increase conversion factor y / y by **54%**
- Increase the number of sold products y / y by **50%**
- Increase the number of orders y / y by **56%**

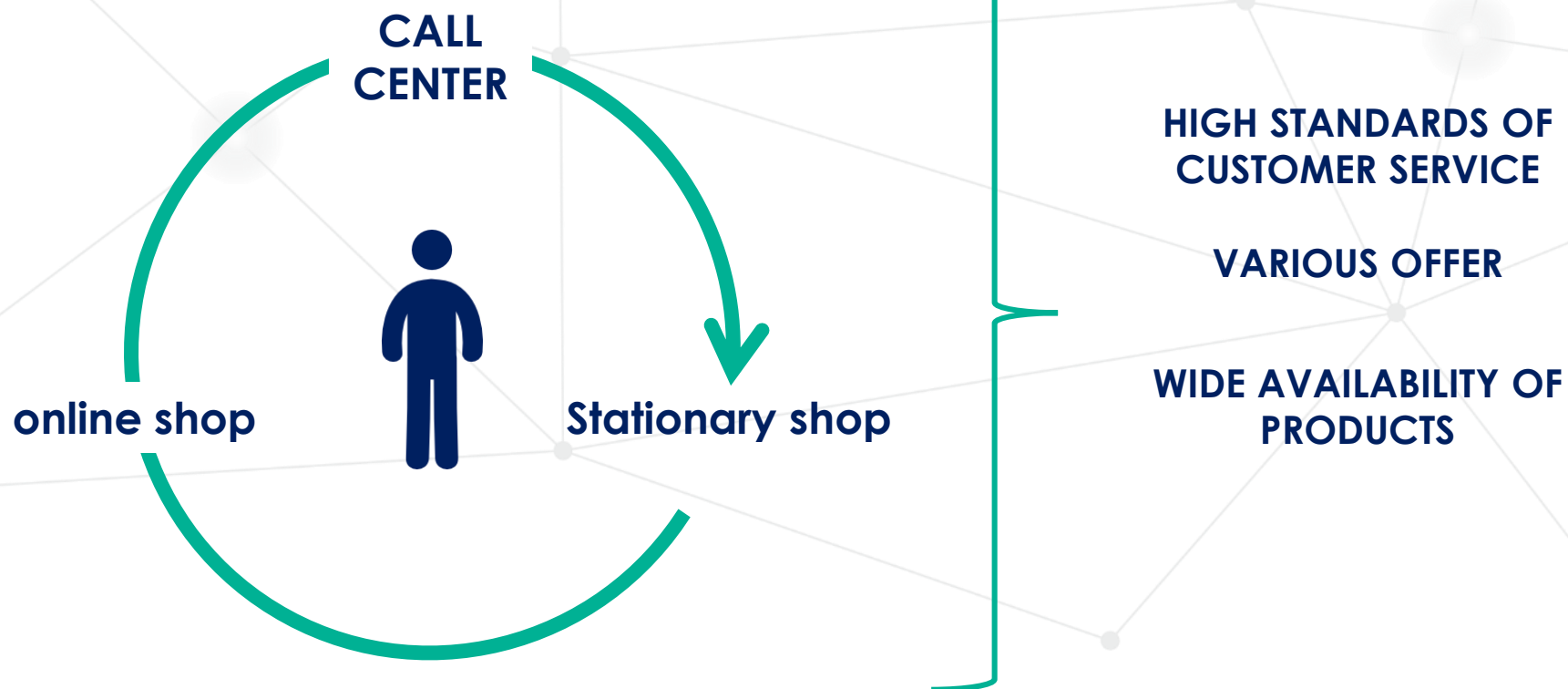
Successive expansion of the product offer :

- Growth in the number of unique commodity items y / y by **43%**

Selling growth y / y by 31%, including QIV by **64%**

The Sferis logo is displayed in a large, white, stylized font against a dark teal background. The letters are bold and modern, with a slight shadow effect.

Direction for 2017: DEVELOPMENT IN THE CONCEPT in OMNICHANNEL



Summary

- Year 2016 is a time huge challenges
- Despite the accumulation of unfavorable external factors, we consistently pursue business
- Our goal after the restructuring period is become even more competitive company



Thank you for your
attention