



CONSOLIDATED HALF-
YEARLY REPORT
FOR H1
2022

28 SEPTEMBER 2022

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Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

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I. Statement of the Management Board concerning the accuracy of the half-yearly condensed consolidated financial statements

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

The half-yearly condensed consolidated financial statements of the ACTION S.A. Capital Group for the period ended on 30 June 2022 include: 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, as amended), the Management Board of ACTION S.A. hereby represents that:

- to the best of its knowledge, the half-yearly condensed consolidated financial statements and comparative data have been drawn up in compliance with the applicable accounting principles and present a true, accurate and fair view of the Group's economic and financial position and its financial result, and the half-yearly 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.

During the period covered by the half-yearly condensed consolidated financial statements, the Group companies, excluding ACTION S.A., kept their account books in line with the accounting policy (principles) determined by the Accounting Act of 29 September 1994 and regulations issued on its basis. The consolidated financial statements comprise adjustments not included in the books of the Group's entities, which were entered in order to bring the financial statements of these entities into line with the IFRS. Since 1 January 2010, ACTION S.A. has been maintaining its account books in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the EU, published and in force as at the balance sheet date, and for matters not regulated by the IFRS, in accordance with the requirements of the Accounting Act of 29 September 1994.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

II. Statement of the Management Board on the entity authorised to audit financial statements

The Management Board declares that the auditing company, i.e. Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa in Poznań, which has reviewed the half-yearly condensed consolidated financial statements of the ACTION S.A. Capital Group and the half-yearly condensed consolidated financial statements of ACTION S.A., was selected in accordance with the provisions of law, and that this company and the statutory auditors performing that review meet the terms and conditions for issuing an impartial and independent report on the review of the Group's half-yearly condensed consolidated financial statements and the review of the Company's half-yearly condensed financial statements, in compliance with the applicable laws and professional standards.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

III. Half-yearly condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards for the period between 1 January 2022 and 30 June 2022

Selected consolidated financial data of the ACTION S.A. Capital Group

Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	in PLN '000		in EUR '000	
	01.01.2022-30.06.2022	01.01.2021-30.06.2021	01.01.2022-30.06.2022	01.01.2021-30.06.2021
I. Net revenues from sales of products, goods and materials	1,115,263	1,059,184	240,219	232,931
II. Gross profit / loss on sales	97,375	90,662	20,974	19,938
III. Profit / loss on operating activities	22,802	69,688	4,911	15,325
IV. Net profit / loss attributable to the Company's shareholders	17,759	62,305	3,825	13,702
V. Net cash flows from operating activities	46,239	-35,869	9,960	-7,888
VI. Net cash flows from investment activities	-697	1,823	-150	401
VII. Net cash flows from financing activities	-334	-189	-72	-42
VIII. Net increases (decreases) in cash	45,208	-34,235	9,737	-7,529
IX. Profit / loss per ordinary share *) (in PLN/EUR)	0.89	3.11	0.19	0.68
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
X. Total assets	647,093	635,710	138,250	138,216
XI. Liabilities	227,551	234,660	48,616	51,020
XII. Long-term liabilities	84,752	89,319	18,107	19,420
XIII. Short-term liabilities	142,799	145,341	30,509	31,600
XIV. Equity attributable to the Company's shareholders	420,630	402,147	89,867	87,435
XV. Share capital	2,004	2,004	428	436
XVI. Weighted average number of shares **) (quantity)	20,037,000	20,037,000	20,037,000	20,037,000
XVII. Book value per share ***) (in PLN/EUR)	20.99	20.07	4.49	4.36

PLN to EUR exchange rates

Period	Average exchange rate in the period	Minimum exchange rate in the period ****)	Maximum exchange rate in the period ****)	Exchange rate as at the last day of the period
01.01.2022 – 30.06.2022	4.6427	4.5756	4.6909	4.6806
01.01.2021 – 31.12.2021	4.5775	4.4805	4.6834	4.5994
01.01.2021 – 30.06.2021	4.5472	4.4805	4.6603	4.5208

*) Profit per ordinary share was calculated as the quotient of net Profit and the Number of shares.

**) The number of shares takes into account the change in the nominal value of 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 minimum and maximum exchange rates in the period were calculated using the exchange rates announced by the NBP, in force on the last day of each month.

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

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 cash flow statement were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, in force on the last day of each month; for H1 2022, the exchange rate was: EUR 1 = PLN 4.6427, and for H1 2021: EUR 1 = PLN 4.5472;
- items of the consolidated statement of financial position were converted at the average exchange rate published by the National Bank of Poland as at the balance sheet date; as at 30 June 2022, this exchange rate stood at: EUR 1 = PLN 4.6806, as at 31 December 2021: EUR 1 = PLN 4.5994 and as at 30 June 2021: EUR 1 = PLN 4.5208.

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

Consolidated statement of comprehensive income

All revenues and costs relate to continuing operations

		period from 01.01.2022 to 30.06.2022	period from 01.01.2021 to 30.06.2021
	Note		
Sales revenue	(5.2)	1,115,263	1,059,184
Costs of products, goods and materials sold	(5.3)	-1,017,888	-968,522
Gross profit / loss on sales		97,375	90,662
Selling and marketing costs	(5.3, 5.4)	-57,039	-41,901
General management costs	(5.3, 5.4)	-17,633	-18,227
Other operating revenue	(5.5)	1,715	40,130
Other expenses and losses	(5.6)	-1,616	-976
Profit / loss on operating activities		22,802	69,688
Financial income	(5.7)	663	36
Financial costs	(5.8)	-1,599	-1,842
Share in profits (losses) of associates and joint ventures settled with the equity method		220	179
Profit / loss before tax		22,086	68,061
Income tax	(5.9)	-4,318	-5,735
Profit / loss on continuing operations		17,768	62,326
Net profit / loss on discontinued operations		0	0
Net profit / loss for the financial period		17,768	62,326
Other components of comprehensive income			
Net change due to cash flow hedges		0	0
Other components – foreign exchange differences from conversion of a foreign operation		989	80
Other components – liquidation of the subsidiary		0	0
Total other comprehensive income before tax		989	80
Income tax connected with components of other comprehensive income which will be reclassified to profit or loss		0	0
Other components of net comprehensive income that may be reclassified to profit or loss		989	80
Comprehensive income for the period		18,757	62,406
Net profit / loss attributable to:			
Company's shareholders		17,759	62,305
non-controlling interests		9	21
Comprehensive income attributable to:			
Company's shareholders		18,748	62,385
non-controlling interests		9	21

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

Profit / loss per share

Basic profit / loss on continuing operations	0.89	3.11
Basic profit / loss on discontinued operations	0.00	0.00

Diluted profit / loss per share

Diluted profit / loss on continuing operations	0.89	3.11
Diluted profit / loss on discontinued operations	0.00	0.00

Weighted average number of shares

20,037,000 **20,037,000**

Diluted number of shares

20,037,000 **20,037,000**

The number of shares comprises a total of 20,037,000 shares, including:

- 1) 11,910,000 series A ordinary bearer shares of a nominal value of PLN 0.10 each;
- 2) 4,500,000 series B ordinary bearer shares of a nominal value of PLN 0.10 each;
- 3) 547,000 series C ordinary bearer shares of a nominal value of PLN 0.10 each;
- 4) 3,080,000 series D ordinary bearer shares of a nominal value of PLN 0.10 each.

The total number of votes carried by all the shares issued is 20,037,000.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

Consolidated statement of financial position

	Note	30.06.2022	31.12.2021	30.06.2021
ASSETS				
Non-current Assets				
Property, plant and equipment	(5.10)	137,467	139,092	138,348
Goodwill		0	0	0
Other intangible assets		5,478	5,813	5,688
Investment real properties	(5.12)	3,585	3,585	3,545
Financial assets (in unconsolidated subsidiaries)		0	0	0
Shares in associates measured with the equity method		74	0	0
Deferred income tax assets	(5.9)	238	2,384	4,310
Trade and other receivables		0	0	0
Total fixed assets		146,842	150,874	151,891
Current assets				
Inventories	(5.13)	228,086	250,013	191,947
Trade and other receivables	(5.14)	173,832	181,805	163,214
Current income tax receivables		548	0	0
Derivative financial instruments		0	441	0
Other financial assets		0	0	0
Cash and cash equivalents		97,785	52,577	70,374
Total current assets		500,251	484,836	425,535
Total assets		647,093	635,710	577,426
EQUITY				
Share capital		2,004	2,004	2,004
Share premium		77,207	77,207	77,272
Retained profit		341,419	323,925	285,416
Other reserves		0	-989	-821
Equity attributable to the Company's shareholders		420,630	402,147	363,871
Non-controlling interest		-1,088	-1,097	-1,122
Total equity		419,542	401,050	362,749
LIABILITIES				
Loans, borrowings and other liabilities on account of financing	(5.18)	0	0	0
Long-term lease liabilities	(5.18)	1,118	1,070	748
Trade and other liabilities		83,634	88,249	93,467
Deferred income tax provisions	(5.9)	0	0	0
Long-term liabilities		84,752	89,319	94,215
Trade and other liabilities		139,150	140,090	117,300
Loans, borrowings and other liabilities on account of financing	(5.18)	1,026	1,025	1,023
Short-term lease liabilities	(5.18)	562	478	382
Current income tax liabilities		0	1,871	0
Provisions for employee benefits		2,061	1,877	1,757
Provisions for other liabilities and charges		0	0	0
Derivative financial instruments		0	0	0
Short-term liabilities		142,799	145,341	120,462
Total liabilities		227,551	234,660	214,677
Total equity and liabilities		647,093	635,710	577,426
Piotr Bieliński President of the Management Board		Sławomir Harazin Vice-President of the Management Board		

Zamienie, 28 September 2022

Statement of changes in consolidated equity

	Share capital	Share premium	Retained profit	Other reserves	Equity attributable to the Parent Company's shareholders	Equity attributable to non-controlling interests	Total equity
As at 1 January 2022	2,004	77,207	323,925	-989	402,147	-1,097	401,050
Changes in equity:	0	0	17,494	989	18,483	9	18,492
Issue of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	17,759	0	17,759	9	17,768
Other comprehensive income	0	0	0	989	989	0	989
Total comprehensive income	0	0	17,759	989	18,748	9	18,757
Other	0	0	-265	0	-265	0	-265
As at 30 June 2022	2,004	77,272	341,419	0	420,630	-1,088	419,542
As at 1 January 2020	2,004	77,272	223,242	-901	301,617	-1,314	300,303
Changes in equity:	0	-65	100,683	-88	100,530	217	100,747
Issue of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	100,863	0	100,863	46	100,909
Other comprehensive income	0	0	0	-88	-88	0	-88
Total comprehensive income	0	0	100,863	-88	100,775	46	100,821
Other	0	-65	-180	0	-245	171	-74
As at 31 December 2021	2,004	77,207	323,925	-989	402,147	-1,097	401,050
As at 1 January 2021	2,004	77,272	223,242	-901	301,617	-1,314	300,303
Changes in equity:	0	0	62,174	80	62,254	192	62,446
Profit (loss)	0	0	0	0	0	0	0
Other comprehensive income	0	0	62,305	0	62,305	21	62,326
Total comprehensive income	0	0	0	80	80	0	80
Dividends paid	0	0	62,305	80	62,385	21	62,406
Other	0	0	-131	0	-131	171	40
As at 30 June 2021	2,004	77,272	285,416	-821	363,871	-1,122	362,749

Piotr Bieliński
President of the Management Board

Sławomir Harazin
Vice-President of the Management Board

Zamienie, 28 September 2022

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

Consolidated cash flow statement

	period from 01.01.2022 to 30.06.2022	period from 01.01.2021 to 30.06.2021
Cash flow from operating activities		
Cash flows from activities	50,844	-35,869
Gross profit / loss	22,086	68,061
Adjustments for:	28,758	-103,930
Income tax	0	0
Depreciation/amortisation of fixed and intangible assets	4,174	4,144
Profit (loss) on investment activities	441	-2,889
Interest revenue	-663	-36
Interest expenses	53	34
Share in the net result of the associate	220	179
Other	187	376
Inventories	21,927	-1,028
Trade and other receivables	7,973	12,236
Trade and other liabilities	-5,554	-112,342
Income tax paid	-4,605	-4,604
Net cash flows from operating activities	46,239	-35,869
Cash flows from investment activities		
Purchase of tangible fixed assets, intangible assets, investment real properties and other fixed assets	-1,748	-1,393
Income from sales of tangible fixed assets, intangible assets, investment real properties and other fixed assets	0	0
Other investment inflows / outflows	1,051	3,216
Net cash flows from investment activities	-697	1,823
Cash flow from financing activities		
Inflows from the issue of shares	0	0
Acquisition of equity shares	0	0
Loans and borrowings received	0	0
Repayment of loans and borrowings	0	0
Dividends paid	0	0
Interest paid	-53	-34
Payments of liabilities under financial lease agreements	-281	-155
Other financial inflows/outflows	0	0
Net cash flows from financing activities	-334	-189
Net decrease / increase in cash before effects of foreign exchange differences	45,208	-34,235
Effects of changes in foreign exchange rates concerning cash and cash equivalents	0	0
Net increase / decrease in cash	45,208	-34,235
Opening balance of cash	52,577	104,609
Cash as at the end of the period	97,785	70,374

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

Notes to the half-yearly condensed consolidated financial statements

1. General information

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

1.1.Object of the Company's business

The scope of business of ACTION S.A. (Issuer / Company) and its subsidiaries is to sell IT equipment, consumer electronics and home appliances through wholesalers, its own retail outlets and third-party shops. The Group conducts its sales on the domestic and foreign markets. Primary field of the Company's business: wholesale trade in computer accessories (PKD 2007 4690Z).

ACTION S.A. is the parent company, with its registered office in Zamienie, ul. Dawidowska 10, Poland. On 2 August 2004, ACTION Spółka Akcyjna was entered in the Register of Entrepreneurs of the National Court Register under the KRS number 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, Poland. Previously, the legal predecessor of the Issuer, i.e. ACTION spółka z ograniczoną odpowiedzialnością, was entered in the Register of Entrepreneurs under the KRS number 0000066230 on the basis of the decision of the District Court in Warsaw, Commercial Division of the National Court Register, of 28 November 2001.

The principal place of business is in Zamienie, ul. Dawidowska 10, Poland.

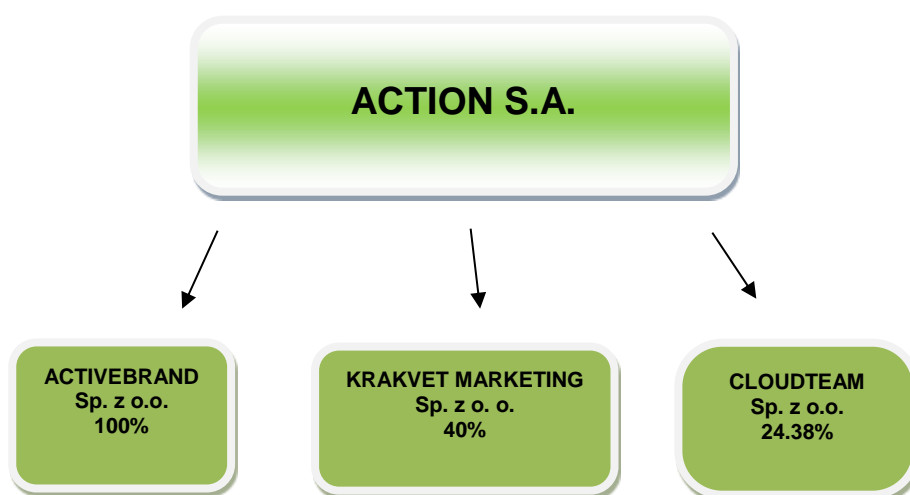
On 1 August 2016, the District Court for the Capital City of Warsaw, 10th Commercial Division for Bankruptcy and Restructuring, decided to initiate the restructuring of ACTION Spółka Akcyjna based on the provisions of the Restructuring Law Act of 15 May 2015 (Journal of Laws of 2015, item 978).

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

By order of the District Court for the Capital City of Warsaw in Warsaw, 18th Division for Bankruptcy and Restructuring (file No XVIII GRs 1/19), of 7 August 2020 the composition agreement in the Company's restructuring proceedings was approved. This decision is valid as of 15 December 2020.

1.2.Group composition

Structure of the ACTION S.A. Capital Group (as at 30 June 2022)



Composition of the Group:

Parent company:

ACTION S.A. with its registered office in Zamienie

Subsidiaries and associates:

KRAKVET MARKETING Sp. z o. o. (formerly SFERIS MARKETING Sp. z o.o.) with its registered office in Zamienie – a subsidiary (40%)¹⁾

CLOUDTEAM 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 Krakow – a subsidiary (100%)³⁾

¹⁾ KRAKVET MARKETING Sp. z o. o. (formerly SFERIS MARKETING Sp. z o. o.) with its registered office in Zamienie was incorporated and consolidated as at 12 December 2011. The name was changed on 22 July 2022.

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 2020, 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 incorporated on 3 September 2012. On 1 April 2021, as a result of the acquisition of 48% of shares, ACTION S.A. became the sole shareholder of this company.

KRAKVET MARKETING Sp. z o. o. (formerly SFERIS MARKETING Sp. z o. o.) provides advertising services. Since H2 2022, the company will carry out commercial activities consisting in the marketing of animal products.

The main business profile of CLOUDTEAM Sp. z o.o. is training and IT services, and the rental of computer hardware.

Consolidated half-yearly financial statements of the ACTION S.A. CAPITAL GROUP for the first six months of the year 2022

(all amounts are provided in thousands of PLN, unless specified otherwise)

ACTIVEBRAND Sp. z o.o. resumed its operating activities in 2020. ACTIVEBRAND Sp. z o.o. conducted commercial activity in the field of animal products. On 12 August 2022, the merger of ACTION S.A. (as the acquirer) with the subsidiary ACTIVEBRAND was registered in the National Court Register.

Changes in the Group's composition during the reporting period

The deletion of ACTION EUROPE GmbH in Liquidation from the court register took place on 25 April 2022.

Third-party shares in subsidiaries

1. KRAKVET MARKETING Sp. z o. o. (formerly SFERIS MARKETING Sp. z o. o.) – 60% of shares carrying rights to 75% of votes at the company's general meeting are held by Piotr Bieliński

Entities consolidated as at 30 June 2022

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
KRAKVET MARKETING Sp. z o. o. (formerly SFERIS MARKETING Sp. z o. o.)	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%

2. Information about the principles applied in the preparation of the report

2.1.General principles

The half-yearly condensed consolidated financial statements of the ACTION S.A. Capital Group for the first six months of 2022 were prepared in line with IAS 34 *Interim Financial Reporting*.

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

2.2.Going concern

These half-yearly condensed consolidated financial statements of the ACTION S.A. Capital Group were prepared on the assumption that the Company would continue as a going concern in the foreseeable future, not shorter than 12 months from the balance sheet date.

2.3.General principles of preparation

These half-yearly consolidated financial statements were prepared in accordance with the historical cost principle, except for financial assets held for trading (derivatives) measured at fair value.

The half-yearly condensed consolidated financial statements do not cover all data and disclosures required in the annual consolidated financial statements, and they should be read in conjunction with the consolidated financial statements of the Group drawn up in accordance with the IFRS for the financial year ended 31 December 2021.

2.4.Statement of compliance

These half-yearly condensed consolidated financial statements for the period from 1 January 2022 to 30 June 2022 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union, in particular in accordance with the International Accounting Standard 34 Interim Financial Reporting applicable hereto. As at the approval date of these financial statements for publication, in terms of the accounting principles applied by the Group, there are no differences between the IFRS which are already in effect and the standards and interpretations approved by the European Union.

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

2.5.Key accounting principles

The accounting principles (policy) applied to prepare these half-yearly condensed consolidated financial statements for the first six months of 2022 are consistent with those applied to prepare the annual consolidated financial statements for 2021.

A detailed description of the remaining accounting principles adopted by the ACTION S.A. Capital Group is presented in the annual consolidated financial statements for 2021, published on 30 March 2022.

2.6. 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 consolidated financial statements.

These half-yearly condensed consolidated financial statements were prepared in Polish zloty ("PLN") and all amounts are presented in thousands of PLN, unless specified otherwise.

Principles applied to translation of financial data

The financial data from the financial statements of ACTION EUROPE GmbH in Liquidation expressed in EUR have been converted according to the following rules:

– individual items in the statements of financial position were converted at the average exchange rate published by the National Bank of Poland applicable as at the balance sheet date; as at 30 June 2022, this exchange rate stood at: EUR 1 = PLN 4.6806, as at 31 December 2021: EUR 1 = PLN 4.5994, and as at 30 June 2021: EUR 1 = PLN 4.5994;

– individual items in the statements of comprehensive income and cash flow statements were converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland applicable as at the last day of each month; for the first half of 2022, the exchange rate was: EUR 1 = PLN 4.6427, and for the first half of 2021: EUR 1 = PLN 4.5472.

3. Major estimates and judgements

Drawing up the half-yearly condensed consolidated financial statements requires that the Management Board of the Company makes certain estimates because specific data included in the financial statements cannot be measured in a precise manner. 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 at 30 June 2022 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 recognised assets and liabilities in the next or subsequent financial years are presented below.

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

As at 30 June 2022, the Group companies assessed the estimated useful lives of property, plant and equipment and 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 at 30 June 2022, the Group companies estimated whether there were any indications of impairment of investments in 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. Impairment write-down on inventories

The Group estimated the write-down on inventories to realisable net selling prices based on the analysis of the margin of goods sold in the period immediately preceding the balance sheet date and the mark-up of the selling costs. A write-down on slow-moving inventories is also estimated.

3.4. 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.

As many other entities in the IT sector, ACTION S.A. recognises the risks associated with intensified tax inspections and verification activities in the area of correctness of tax settlements.

Currently, there are no tax audit proceedings pending at the Company. However, the following tax proceedings are pending before the courts or have been concluded before the date of publication of the report:

– on 22 June 2016, the Company received a decision of the Head of the Tax Office in Olsztyn concerning the audit procedure 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 October 2016 (which the Company announced in current report No 56/2016 of 07 November 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 judgment of 28 December 2017. In connection with the above, the Company appealed against that decision to the Supreme Administrative Court. In a judgment of 20 April 2022, the Supreme Administrative Court in Warsaw dismissed the cassation appeal filed by the Company against the above mentioned judgment of the Provincial Administrative Court in Warsaw. The judgment of the Supreme Administrative Court is final and binding. The amount of the object of the dispute in the above case was PLN 29,115 thousand. This receivable is covered by a composition agreement by virtue of law and is subject to repayment under the terms of a validly approved composition agreement in the Issuer's completed restructuring proceedings. To this extent, the above receivable has been provisioned against the financial year 2016.

– on 4 January 2018, the Head of the Mazowieckie Tax and Customs Office in Warsaw issued a decision questioning the amount of input VAT for the period between August and December 2010. The Company lodged an appeal against that decision, which was not taken into account, because by way of a decision of 20 April 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 judgment of 12 March 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 April 2018. The Company appealed against this ruling to the Supreme Administrative Court because it did not agree with it. In the judgment of 20 April 2022, the Supreme Administrative Court in Warsaw overturned the aforementioned judgment of the Provincial Administrative Court in Warsaw in its entirety. Accordingly, the case was referred to the Provincial Administrative Court in Warsaw for re-examination. The amount of the object of the dispute in this case was PLN 3,442 thousand. This receivable is covered by a composition agreement by virtue of law and is subject to repayment under the terms of a validly approved composition agreement in the Issuer's completed restructuring proceedings. To this extent, the above receivable has been provisioned against the financial year 2017.

In the Company's view, 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. However, due to the fact that the judgment issued in one of the above cases became final and binding, the Company is obliged to implement this decision.

The total value of the liabilities resulting from the above decisions subject to the described court proceedings and pending VAT and CIT proceedings recognised in the books as at 30 June 2022 is PLN 10,625 thousand. The Issuer explains that the presented amount takes into account the current balances of provisions for these liabilities, pursuant to the degree of reduction resulting from the legally approved composition agreement in the Company's restructuring proceedings, and the composition-related instalments repaid to date.

The Company exercises and has always exercised the utmost diligence in concluding transactions, remains and has always remained cautious in establishing cooperation, acted and keeps acting in good faith in accordance with the procedures adopted by the Company and the highest standards of cooperation. Therefore, in the opinion of the Management Board of the Parent Company, the probability that the ongoing judicial appeal proceedings will yield a negative final outcome remains low.

3.5.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 as at each balance sheet date.

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

As at each balance sheet date, the Group measures the following:

- post-transactional discounts due from suppliers but not received by the balance sheet date. The estimates are based on the terms of discounts agreed with the suppliers and evidenced by contracts or other agreements, at amounts confirmed by the suppliers.
- post-transactional discounts due to customers but not paid by the balance sheet date. The estimates are based on the terms of granting discounts agreed with the customers and evidenced by contracts or other agreements.

3.7.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 ACTION S.A. Capital Group has been obliged to present its results using the layout defined in IFRS 8 *Operating Segments*.

This standard defines a 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 these statements in a single operating segment because:

- sales revenue earned from that business exceeds 81.03% 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 of 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. – the main body responsible for making operational decisions in the entity – due to the specific nature of distribution in individual sales channels, makes decisions on allocating resources on the basis of the achieved and expected results of the Capital Group as a whole, as well as planned returns on allocated resources and the analysis of the environment.

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. Sales revenue

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

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Revenue from sales of products (services)	14,243	11,561
Revenue from sales of goods and materials	1,101,020	1,047,623
	1,115,263	1,059,184

5.3. Expenses by type

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Depreciation/amortisation of fixed and intangible assets	4,174	4,144
Costs of employee benefits	34,865	27,982
Consumption of materials and energy	6,702	4,081
Third party services	24,026	18,906
Taxes and charges	734	814
Advertising and representation expenses	3,501	3,452
Property and personal insurance	519	446
Other expenses by type	151	303
Value of goods and materials sold, of which:	1,017,888	968,522
– write-down on inventories	-682	234
Total costs of products, goods and materials sold, selling and marketing expenses as well as general management costs	1,092,560	1,028,650

5.4. Costs of employee benefits

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Payroll	29,016	23,984
Social security and other benefits	5,849	3,998
	34,865	27,982

5.5. Other operating revenue and profits

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Surplus of foreign exchange gains	0	0
Revenue from overdue liabilities	23	81
Revenue from damages received	1,242	9
Revenue from provisions released	380	39,679
Revenues from sales of financial assets	0	0
Revenue from donations received	0	0
Other revenue	70	360
Profit on disposal of non-financial fixed assets	0	1
	1,715	40,130

5.6. Other expenses and losses

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Surplus of foreign exchange losses	0	0
Costs of indemnities paid	1,205	395
Costs of impairment write-downs on receivables	0	0
Costs of receivables written off	54	98
Costs due to provisions established	0	186
Costs due to interest on liabilities	0	0
Costs of donations given	167	56
Costs of write-downs on financial assets	0	0
Costs of court proceedings	31	22
Other costs	146	219
Loss on disposal of non-financial fixed assets	13	0
	1,616	976

5.7. Financial income

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Interest on cash and cash equivalents (deposits)	650	36
Interest on borrowings and receivables	13	0
Capital revenue	0	0
Revenue from measurement of financial instruments	0	0
	663	36

5.8. Financial costs

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Interest on loans and borrowings	33	0
Interest on leases	19	34
Interest and discount due to factoring	15	0
Costs of measurement of financial instruments	441	412
Discount on liabilities covered by the Composition Agreement	1,090	1,396
	1,599	1,842

5.9. Income tax

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Current tax	2,172	0
Deferred tax	2,146	5,735
	4,318	5,735

Deferred tax

Deferred income tax assets and provisions recognised in the half-yearly condensed consolidated statement of financial position are a sum of the values contained in the statements of individual consolidated companies of the Group. The deferred income tax assets and provisions are subject to offsetting at the level of standalone statements due to the homogeneity of these items and the manner of their settlement.

Value of deferred income tax subject to offsetting:

	30.06.2022	31.12.2021
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	6,125	8,289
	6,125	8,289
Deferred income tax provisions:		
– deferred income tax provisions falling due within 12 months	5,887	5,905
	5,887	5,905
Deferred income tax assets	6,125	8,289
Deferred income tax provisions	5,887	5,905
Deferred income tax assets/provisions (on balance)	238	2,384

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

	30.06.2022	31.12.2021
Opening balance	2,384	10,045
Credit to / charge on the financial result	-2,146	-7,661
Increase / decrease in equity	0	0
Closing balance	238	2,384

Deferred income tax assets

	Foreign exchange losses	Impairment write-down on inventories	Provision for costs of the period	Provision for unused holiday	Impairment write-down on receivables	Losses from previous years	Total
As at 1 January 2022 at 19% rate	0	579	7,353	357	0	0	8,289
Credit to/charge on the financial result in connection with change in balance of temporary differences and tax loss	375	-24	-2,550	35	0	0	-2,164
Increase / decrease in equity	0	0	0	0	0	0	0
As at 30 June 2022 at 19% rate	375	555	4,803	392	0	0	6,125
As at 1 January 2021 at 19% rate	0	1,074	8,268	259	0	9,503	19,104
Credit to/charge on the financial result in connection with change in balance of temporary differences and tax loss	0	-495	-915	98	0	-9,503	-10,815
Increase / decrease in equity	0	0	0	0	0	0	0
As at 31 December 2021 at 19% rate	0	579	7,353	357	0	0	8,289

Deferred income tax provisions

	Foreign exchange gains	Interests accrued	Bonuses from suppliers	Lease	Other	Total
As at 1 January 2022 at 19% rate	150	0	1,763	2,430	1,562	5,905
Credit to/charge on the financial result due to change in temporary differences	-150	0	451	-167	-152	-18
Increase / decrease in equity	0	0	0	0	0	0
As at 30 June 2022 at 19% rate	0	0	2,214	2,263	1,410	5,887
As at 1 January 2021 at 19% rate	1,367	0	2,253	2,765	2,674	9,059
Credit to/charge on the financial result due to change in temporary differences	-1,217	0	-490	-335	-1,112	-3,154
Increase / decrease in equity	0	0	0	0	0	0
As at 31 December 2021 at 19% rate	150	0	1,763	2,430	1,562	5,905

5.10. Property, plant and equipment

In the period covered by the report, the Group incurred investment expenses of PLN 1,748 thousand. Investment expenses incurred in the reporting period were related to the conversion and adaptation of the building which is the registered office of ACTION S.A.

5.11. Goodwill

Both in the period covered by the report and in the comparative period, there was no goodwill in the Group.

5.12. Investment real properties

Investment real properties comprise:

- acquired rights of perpetual usufruct of land,
- ownership titles to buildings with the initial value totalling PLN 3,585 thousand.

As at 30 June 2022, the carrying amount of real properties is PLN 3,585 thousand. Revenue from rental of real properties in the reporting period was PLN 138 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 at the date of these financial statements, 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 form collateral for liabilities due to loans, borrowings or other transactions.

5.13. Inventories

	30.06.2022	31.12.2021	30.06.2021
Materials	0	0	0
Goods	235,171	257,780	198,674
Advances on deliveries	0	0	0
	235,171	257,780	198,674
Write-downs on inventories	-7,085	-7,767	-6,727
Inventories	228,086	250,013	191,947

Write-downs on inventories

	30.06.2022	31.12.2021	30.06.2021
Opening balance of write-down on inventories	-7,767	-6,493	-6,493
Created (Costs of products, goods and materials sold)	-3,198	-3,880	-2,476
Utilised (Costs of products, goods and materials sold)	0	0	0
Released (Costs of products, goods and materials sold)	3,880	2,606	2,242

Closing balance of write-down on inventories	-7,085	-7,767	-6,727
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The write-down was released following the revaluation of trading goods based on inventory ageing. Inventories are measured at a price not lower than a realisable sales price.

5.14. Impairment write-downs on trade and other receivables

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on receivables	-9,826	-12,464	-12,464
Created	-304	-1,834	-606
Used	3,184	1,495	0
Released	591	2,977	2,243
Closing balance of impairment write-down on receivables	-6,355	-9,826	-10,827

5.15. Impairment write-downs on long-term financial assets

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on long-term financial assets	0	0	0
Created	0	0	0
Used	0	0	0
Released	0	0	0
Closing balance of impairment write-down on long-term financial assets	0	0	0

5.16. Write-downs on short-term financial assets

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on short-term financial assets	-2,158	-2,158	-2,158
Created	0	0	0
Used	0	0	0
Released	0	0	0
Closing balance of impairment write-down on short-term financial assets	-2,158	-2,158	-2,158

5.17. Liabilities due to purchase of property, plant and equipment

As at the reporting date, the Group does not have any liabilities due to purchase of property, plant and equipment.

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

	30.06.2022	31.12.2021	30.06.2021
Long-term			
Investment loan	0	0	0
Lease liabilities	1,118	1,070	748
Borrowings	0	0	0
Liabilities due to bonds	0	0	0
	1,118	1,070	748
Short-term			
Overdraft and investment loan	0	0	0
Lease liabilities	562	478	382
Borrowings	1,026	1,025	1,023
Liabilities due to bonds	0	0	0
	1,588	1,503	1,405
Total	2,706	2,573	2,153

Age structure of liabilities due to loans and borrowings and other financing liabilities

	30.06.2022	31.12.2021	30.06.2021
Liabilities with the repayment period calculated from the balance sheet day			
Up to 1 year	1,588	1,503	1,405
1 to 5 years	1,118	1,070	748
Over 5 years	0	0	0
Total	2,706	2,573	2,153

Lease liabilities

	30.06.2022	31.12.2021	30.06.2021
Nominal value of minimum lease payments			
Up to 1 year	618	519	812
1 to 5 years	1,230	1,161	414
Over 5 years	0	0	0
Total financial lease liabilities – total minimum lease payments	1,848	1,680	1,226

Financial costs due to financial lease	168	132	96
Present value of minimum lease payments			
Up to 1 year	562	478	382
1 to 5 years	1,118	1,070	748
Over 5 years	0	0	0
Total present value of minimum lease payments	1,680	1,548	1,130

5.19. Net cash inflows from operating activities

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Gross profit for the financial year	22,086	68,061
Adjustments for:	24,153	-103,930
– Income tax	0	0
– Income tax paid	-4,605	-4,604
– Depreciation/amortisation of fixed assets and intangible assets	4,174	4,144
– (Profits) losses on investment activities, of which:	441	-2,889
Impairment write-downs	0	0
(Profits) losses on measurement of financial instruments	441	412
(Profits) losses on sale of non-financial assets	0	0
(Profits) losses on sale of financial assets	0	0
(Profits) losses on foreign exchange differences	0	-20
(Profits) losses from compensations received	0	-3,281
Other	0	0
– Interest revenue	-663	-36
– Interest expenses	53	34
– Share in (profits) losses of entities measured using the equity method	220	179
– Other, of which:	187	376
Profits (losses) attributable to non-controlling shareholders	-9	-21
Change in provisions	0	0
(Profits) losses on foreign exchange differences	0	0
Net change due to cash flow hedges	0	0
Change in prepayments/accruals	0	0
Change in employee benefit liabilities	184	394
Change in capital due to adjustment of write-down	0	0
Other adjustments	12	3
Changes in working capital:	24,346	-101,134
– Inventories	21,927	-1,028
– Trade and other receivables	7,973	12,236
– Trade and other liabilities	-5,554	-112,342
Net cash inflows from operating activities	46,239	-35,869

5.20. Other investment inflows / outflows

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Other investment inflows/outflows, of which:		
– Acquisition of interests	0	-101
– Sales of interests	0	0
– Borrowings granted	0	0
– Borrowings repaid	0	0
– Interest received	375	36
– Dividends received	146	0
– Cash received from liquidation of a subsidiary	530	0
– Other compensations received	0	3,281
	1,051	3,216

6. Contingent assets and liabilities

As at 30 June 2022, the Group had contingent receivables due to the repayment of receivables of PLN 5,174 thousand. Hedging liabilities under agreements signed as at the reporting date and not reflected in the half-yearly condensed consolidated financial statements of the Group amounted to PLN 9,039 thousand as at 30 June 2022 and PLN 10,871 thousand as at 31 December 2021.

	30.06.2022	31.12.2021	30.06.2021
1. Contingent receivables	5,174	7,407	7,614
1.1. From other entities (due to)	5,174	7,407	7,614
– guarantees and sureties received	5,174	7,407	7,614
2. Contingent liabilities	9,039	10,871	12,064
1.1. To other entities (due to)	9,039	10,871	12,064
– guarantees and sureties granted	9,039	10,871	12,064
– letters of credit	0	0	0
3. Other (due to)	0	0	0
Total off-balance sheet items	14,213	18,278	19,678

7. Implementation of the composition agreement

By order of the District Court for the Capital City of Warsaw in Warsaw, 18th Division for Bankruptcy and Restructuring (file No XVIII GRs 1/19), of 7 August 2020, the composition agreement in the restructuring proceedings of the Company was approved (hereinafter referred to as: the “Composition Agreement”). This decision is valid as of 15 December 2020. As of this date – pursuant to Article 324(1), Article 27(1) and Article 329(1) of the Restructuring Law Act – the restructuring proceedings were completed, the Manager ceased to perform their function and the Issuer regained full right of independent management.

The Company published the composition proposals in the appendix to current report No 37/2019 of 7 August 2019, which, once voted on by the creditors and approved by the court, became the Composition Agreement.

As a consequence of the final approval of the Composition Agreement, the Issuer commenced its implementation. The Issuer implements the Composition Agreement in accordance with its content.

In the period from the date when the Composition Agreement became effective, i.e. from 15 December 2020, until the balance sheet date, i.e. 30 June 2022, the Issuer made repayments in the total amount of PLN 70,961 thousand, EUR 1,559 thousand and USD 2,937 thousand in the form of cash payments. These amounts include one-off payments (Groups II and III of the Composition Agreement) and seven instalments paid to creditors of Group I and the first part of payments to creditors of Group IV. The total amount of PLN 71,495 thousand, EUR 1,777 thousand and USD 5,983 thousand remains to be paid on account of the Composition Agreement. After the balance sheet date, i.e. from 22 to 28 September, the Issuer repaid the 8th instalment for the Creditors under the Composition Agreement.

8. Events after the balance sheet date

On 16 August, the Governor of the Mazowieckie Province issued decision No 192/SPEC/2022 on the permit for the execution of the road investment project titled "Construction of the southern exit from Warsaw of S-7 expressway on the section from the Airport junction on the Southern Ring Road of Warsaw to the Grójec ring road – Section "A" from the "Airport" junction (without the junction) to the "Lesznów" junction (with the junction) with the length of the section of approx. 6.64 km concerning the reconstruction of existing roads and construction of support roads serving as service roads, along with the reconstruction of technical infrastructure. Phase II. Pursuant to the above decision of the Governor of the Mazowieckie Province, the following real properties of the Investor were allocated for the road investment project, i.e. plots Nos: 23/6 with the area of 0.0079 ha and 23/7 with the area of 0.1687 ha (separated from plot No 23/2), which are the subject of perpetual usufruct of the Company, and 3/6 with the area of 0.0663 ha (separated from plot No 3/3), which is the subject of ownership of the Issuer. Pursuant to Article 12(4) of the Act on specific rules for the preparation and execution of public road investment projects of 10 April 2003, the above-mentioned real properties of the Issuer will become the property of the State Treasury by virtue of law as of the date on which the decision on the permit for the execution of the road investment project will become valid. The Issuer states that the above real properties marked as plots Nos 23/6 and 23/7 are not located within the Company's office and warehouse complex at the address of its registered office. The real property marked as plot No 3/6 is located at the edges of the office and warehouse complex and will be used to expand the exit from the public road to the Company's premises. The construction of S-7 expressway and its support roads in the direct location of the Company's business centre will certainly contribute to the Issuer's better communication with contractors.

On 12 August 2022, the District Court for the Capital City of Warsaw, 14th Division of the National Court Register (KRS), registered in the National Court Register the merger of ACTION S.A. (as the acquiring company) with the subsidiary ACTIVEBRAND Spółka z ograniczoną odpowiedzialnością with its registered office in Krakow (KRS No: 0000438104) (as the acquired company). The companies were merged pursuant to Article 492(1)(1) of the Commercial Companies Code (merger by acquisition) by transferring all the 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 increasing the share capital of the acquiring company. Pursuant to Article 494(1) of the Commercial Companies Code, as of 12 August 2022 (merger date), ACTION S.A. entered into all the rights and obligations of ACTIVEBRAND Sp. z o.o. The main object of activity of: – the Issuer is the wholesale trade in electronic and IT equipment; – ACTIVEBRAND Sp. z o.o. was retail sale of pet food in specialised shops.

On 5 August 2022, the Supervisory Board of ACTION S.A. appointed an Audit Committee for the next term of office from among its Members. Pursuant to the corresponding Resolution of the Supervisory Board, the following Members were appointed as members of the Audit Committee: Krzysztof Kaczmarczyk, Adam Świtalski and Piotr Chajderowski. Piotr Chajderowski was appointed to chair the Committee. At the same time, the Management Board announces that the Committee in the composition presented meets the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2022, item 1302), i.e. at least one member of the audit committee has the knowledge and skills in the area of accounting or auditing financial statements. Also, at least one member of the audit committee has the knowledge and skills in the industry in which the Company operates.

On 27 September 2022, the Management Board of ACTION S.A. announced that the Extraordinary General Meeting of Shareholders of ACTION S.A. would be held on 26 October 2022 at 11:00 a.m. on the premises of ACTION S.A. at ul. Dawidowska 10 in Zamienie, municipality Lesznowola, district Piaseczno, province Mazowieckie. In current report No 43/2022, the Issuer presented a detailed agenda of the Extraordinary General Meeting of Shareholders of ACTION S.A.

In current report No 44/2022 of 27 September 2022, and the attachments thereto, the Management Board of Action S.A. made public draft resolutions (along with their justifications drawn up by the Management Board and the opinion of the Supervisory Board) for the Extraordinary General Meeting of Shareholders of ACTION S.A. to be held on 26 October 2022.

9. 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. in liquidation and TYTANID Sp. z o.o., which do not give the Company any control or significant influence.

9.1. Transactions made between the Group's companies and related entities 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 at 30 June 2022 and for the period 1.01.2022 – 30.06.2022

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. in liquidation **)	0	0	0	0
ACTION ENERGY Sp. z o.o. ***)	185	0	0	0
TYTANID Sp. z o.o. ****)	0	0	0	0
Total	185	0	0	0

Data as at 30 June 2021 and for the period 1.01.2021 – 30.06.2021

	Receivables	Liabilities	Sales revenue	Purchases and costs
ACTION CT WANTUŁA Sp. j. *)	0	0	0	0
ACTIVE TRAVEL Sp. z o.o. in liquidation **)	0	0	0	0
ACTION ENERGY Sp. z o.o. ***)	185	0	0	0
TYTANID Sp. z o.o. ****)	0	0	0	0
Total	185	0	0	0

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

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

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

****) TYTANID Sp. z o.o. with its registered office in Zamienie

9.2. Transactions with associates consolidated using the equity method

Data as at 30 June 2022 and for the period 1.01.2022 – 30.06.2022

	Receivables	Liabilities	Sales revenue	Purchases and costs
CLOUDTEAM Sp. z o. o.	0	0	0	0
Total	0	0	0	0

Data as at 30 June 2021 and for the period 1.01.2021 – 30.06.2021

	Receivables	Liabilities	Sales revenue	Purchases and costs
CLOUDTEAM Sp. z o. o.	0	0	0	0
Total	0	0	0	0

9.3. Remuneration of managers

Remuneration paid and due

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
1. Management Board, of which:		
Piotr Bieliński – President of the Management Board	766	1,002
Sławomir Harazin – Vice-President of the Management Board	751	987
Kazimierz Lasecki – President of the Management Board	20	60
	1,537	2,049

9.4. Remuneration of senior management

	For the period 01.01.2022–30.06.2022	For the period 01.01.2021–30.06.2021
Remuneration of the Members of the Company's Management Board	1,537	2,049
Remuneration of key executive personnel	3,079	3,108
	4,616	5,157

Key executive personnel includes the Company's Directors.

10. Other information on the half-yearly consolidated report

10.1. Issue, redemption and repayment of non-equity and equity securities

On 4 July 2014, ACTION S.A. issued 10,000 bearer, dematerialised, coupon, unsecured series ACT01040717 bonds with a nominal value of PLN 10,000 each and a total nominal value of the issue of PLN 100,000,000. The bonds were issued pursuant to Article 9(3) of the Bonds Act (non-public issue) and under the Bonds Issue Programme of ACTION S.A.

Claims on account of redemption and interest on series ACT01040717 bonds whose payment dates fell after the opening date of the restructuring proceedings were subject to a composition agreement by virtue of the law pursuant to Article 150(1)(1) of the R.L.

In connection with the final approval of the composition agreement in the restructuring proceedings of the Issuer, claims on account of series ACT01040717 bonds are to be repaid on the terms of Article 2.4 of the composition agreement.

The Issuer repaid 40.35% of the amount of the principal on 29 January 2021 in the amount of PLN 40,350 thousand.

Moreover, pursuant to Article 169(3) of the Restructuring Law Act, the conversion of claims into shares was performed on the date on which the decision on the approval of the composition agreement became final, i.e. on 15 December 2020, and thus the composition agreement was implemented with respect to the repayment of 9.65% of the amount of the principal. The converted shares are subject to registration with KDPW S.A. On 19 May 2021, the Company entered into an agreement with KDPW S.A. for this purpose. D series shares were registered on 25 June 2021, and on 3 September 2021, assimilation of D series shares with shares of previous issues and introduction of D series shares to trading on the Warsaw Stock Exchange (GPW S.A.) took place. The actions concerning the registration of shares and their introduction to trading concerned 2,972,816 D series shares. The Issuer explains that the total number of D series shares issued by the Company is 3,080,000. However, on the basis of the decisions of the Regional Court in Warsaw on granting security (of which the Issuer informed in current report No 16/2021 of 8 March 2021 and current report No 22/2021 of 29 March 2021), the Company was prohibited from making declarations of will to KDPW S.A. concerning the registration of a total of 107,184 D series shares. As a result, all the remaining D series shares, i.e. 2,972,816 shares, were registered with KDPW S.A. Also as a consequence of this, the Issuer's application for admission of D series shares to trading on the regulated market included only 2,972,816 of these shares, and D series shares in this number are traded on the GPW S.A.

As at the balance sheet date, the outstanding amount of PLN 7,500 thousand, accounting for 7.5% of the principal amount, will be repaid in cash on the last working day of the calendar month following the quarter in which the last quarterly instalment payable to Group I Creditors was due. This amount is presented in the item "Long-term liabilities subject to composition repayments".

On 24 October 2014, SFERIS MARKETING S.A. (current name KRAKVET MARKETING Sp. z o.o.) concluded an agreement to take out a borrowing of PLN 1,000 thousand from its main shareholder, i.e. Piotr Bieliński. The borrowing bears interest at a variable interest rate of WIBOR 3M + the lender's margin. The borrowing matures on 31 December 2023.

10.2. Information on the dividend paid

In 2021, the Company recorded a profit. In accordance with the draft resolutions published on 19 May 2022 in current report No 25/2022, the entire profit made in 2021 is allocated to the supplementary capital.

10.3. Shareholding structure

Natural or legal person	Number of shares held	% share in the capital of ACTION S.A.	Number of votes	% share in the number of votes
Piotr Bieliński	3,811,749	19.02%	3,811,749	19.02%
Aleksandra Matyka	3,093,457	15.44%	3,093,457	15.44%
Wojciech Wietrzykowski	1,199,390	5.99%	1,199,390	5.99%
Lemuria Partners Sicav P.L.C.	1,018,000	5.08%	1,018,000	5.08%
Other	10,914,404	54.47%	10,914,404	54.47%

10.4. Court proceedings

The Company has instituted court proceedings to recover receivables of PLN 174,446 thousand from one of the banks as compensation. The bank sued does not recognise the claim. The proceedings were initiated in April 2017, and the date for their resolution – mainly, due to the high complexity of the issues involved – is difficult to determine. Analyses of the above case carried out so far indicate that there are justified grounds for the Company to bring this case before the Court.

In addition, the proceedings in one VAT case are still not definitively resolved. However, prior to the date of publication of the report, a final and binding court ruling had been made in the second pending VAT litigation. These cases are described in detail in note 3.4 *Taxes*.

The total value of liabilities resulting from decisions subject to court proceedings and administrative proceedings concerning VAT and CIT described in note 3.4 *Taxes* recognised in the books as at 30 June 2022 is PLN 10,625 thousand. The Issuer explains that the above amount takes into account the current balances of provisions for these liabilities, pursuant to the degree of reduction resulting from the legally approved composition agreement in the Company's restructuring proceedings, and the composition-related instalments repaid to date.

10.5. Error adjustments

These financial statements do not contain adjustments of errors from previous periods.

10.6. Repayments of loans and borrowings

During the period covered by the statements, the Group's companies repaid loans and borrowings in a timely manner.

10.7. Material risk factors related to the Group's operations

Material risk factors related to the operations of the Group are described in Note 2.2 *Going concern*, Note 3.4 *Taxes* as well as items 14, 15 and 23 of the *Half-yearly report on operations of the ACTION S.A. Capital Group (Group) and ACTION S.A. (Company)*.

IV. Statement of the Management Board concerning the accuracy of the half-yearly condensed financial statements

The half-yearly condensed financial statements of ACTION S.A. for the period ended on 30 June 2022 include: the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement 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, as amended), the Management Board of ACTION S.A. hereby represents that:

- to the best of its knowledge, the half-yearly condensed financial statements and comparative data have been drawn up in compliance with the applicable accounting principles and present a true, accurate and fair view of the Company's economic and financial position and its financial result, and the half-yearly statement of the Management Board on the Company's operations contains a true representation of the Company's growth, achievements, and standing, including the description of basic risks and threats.

During the period covered by the financial statements, the Company kept its account books in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the EU, issued and applicable as at the balance sheet date and, in matters not regulated by those Standards, in accordance with the Accounting Act of 29 September 1994.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

V. Half-yearly condensed financial statements of ACTION S.A. for the period between 1 January 2022 and 30 June 2022

Selected financial data of ACTION S.A.

SELECTED SEPARATE FINANCIAL DATA	in PLN '000		in EUR '000	
	01.01.2022-30.06.2022	01.01.2021-30.06.2021	01.01.2022-30.06.2022	01.01.2021-30.06.2021
I. Net revenues from sales of products, goods and materials	1,115,275	1,058,956	240,221	232,881
II. Gross profit / loss on sales	97,177	90,022	20,931	19,797
III. Profit / loss on operating activities	23,555	70,252	5,074	15,450
IV. Net profit / loss attributable to the Company's shareholders	19,032	62,739	4,099	13,797
V. Net cash flows from operating activities	47,154	-35,852	10,157	7,884
VI. Net cash flows from investment activities	-1,051	1,835	-226	404
VII. Net cash flows from financing activities	-315	-173	-68	-38
VIII. Net increases (decreases) in cash	45,788	-34,190	9,862	-7,519
IX. Profit per ordinary share*) (in PLN/EUR)	0.95	3.13	0.20	0.69
	As at 30.06.2022	As at 31.12.2021	As at 30.06.2022	As at 31.12.2021
X. Total assets	646,929	635,024	138,215	138,067
XI. Liabilities	226,543	233,670	48,400	50,804
XII. Long-term liabilities	84,752	89,319	18,107	19,420
XIII. Short-term liabilities	141,791	144,351	30,293	31,385
XIV. Equity attributable to the Company's shareholders	420,386	401,354	89,815	87,262
XV. Share capital	2,004	2,004	428	436
XVI. Weighted average number of shares **) (quantity)	20,037,000	20,037,000	20,037,000	20,037,000
XVII. Book value per share ***) (in PLN/EUR)	20.98	20.03	4.48	4.36

PLN to EUR exchange rates

Period	Average exchange rate in the period	Minimum exchange rate in the period ****)	Maximum exchange rate in the period ****)	Exchange rate as at the last day of the period
01.01.2022 – 30.06.2022	4.6427	4.5756	4.6909	4.6806
01.01.2021 – 31.12.2021	4.5775	4.4805	4.6834	4.5994
01.01.2021 – 30.06.2021	4.5472	4.4805	4.6603	4.5208

*) Profit per ordinary share was calculated as the quotient of net Profit and the Number of shares.

**) The number of shares takes into account the change in the nominal value of 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.

****) The minimum and maximum exchange rates in the period were calculated using the exchange rates announced by the NBP, in force on the last day of each month.

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 converted at the exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland, applicable on the last day of each month; for H1 2022 this exchange rate stood at: EUR 1 = PLN 4.6427, for H1 2020 – EUR 1 = PLN 4.5472;
- items in the statement of financial position were converted at the average exchange rate announced by the National Bank of Poland, applicable on the balance sheet date; as at 30 June 2022, this exchange rate stood at: EUR 1 = PLN 4.6806; as at 31 December 2021 – EUR 1 = PLN 4.5994 and as at 30 June 2021: EUR 1 = PLN 4.5208.

Statement of comprehensive income

All revenues and costs relate to continuing operations

	period from 01.01.2022 to 30.06.2022	period from 01.01.2021 to 30.06.2021
Sales revenue	1,115,275	1,058,956
Costs of products, goods and materials sold	-1,018,098	-968,934
Gross profit on sales	97,177	90,022
Selling and marketing costs	-56,941	-41,519
General management costs	-17,513	-17,590
Other operating revenue	2,448	40,136
Other expenses and losses	-1,616	-797
Profit / loss on operating activities	23,555	70,252
Financial income	1,360	48
Financial costs	-1,565	-1,826
Profit / loss before tax	23,350	68,474
Income tax	-4,318	-5,735
Net profit / loss on continuing operations	19,032	62,739
Net profit / loss on discontinued operations	0	0
Net profit / loss for the financial period	19,032	62,739
Other components of comprehensive income		
Measurement of cash flow hedges	0	0
Income tax	0	0
Other components of net comprehensive income that may be reclassified to profit or loss	0	0
Comprehensive income for the period	19,032	62,739
Profit / loss per share		
Basic profit / loss on continuing operations	0.95	3.13
Basic profit / loss on discontinued operations	0.00	0.00
Diluted profit / loss per share		
Diluted profit / loss on continuing operations	0.95	3.13
Diluted profit / loss on discontinued operations	0.00	0.00
Weighted average number of shares	20,037,000	20,037,000
Diluted number of shares	20,037,000	20,037,000

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

Statement of financial position

	30.06.2022	31.12.2021	30.06.2021
ASSETS			
Property, plant and equipment	137,467	139,092	138,348
Goodwill	0	0	0
Other intangible assets	5,498	5,833	5,700
Investment real properties	3,585	3,585	3,545
Financial assets	128	128	128
Other financial assets	0	0	0
Deferred income tax assets	238	2,384	4,310
Trade and other receivables	0	0	0
Non-current Assets	146,916	151,022	152,031
Inventories	228,084	250,011	191,951
Trade and other receivables	173,732	181,689	163,082
Current income tax receivables	548	0	0
Derivative financial instruments	0	441	0
Other financial assets	0	0	0
Cash and cash equivalents	97,649	51,861	69,632
Current assets	500,013	484,002	424,665
Total assets	646,929	635,024	576,696
EQUITY			
Share capital	2,004	2,004	2,004
Share premium	77,207	77,207	77,272
Retained profit	341,175	322,143	283,900
Other reserves	0	0	0
Total equity	420,386	401,354	363,176
LIABILITIES			
Loans, borrowings and other liabilities on account of financing	0	0	0
Lease liabilities	1,118	1,070	748
Trade and other liabilities	83,634	88,249	93,467
Deferred income tax provisions	0	0	0
Long-term liabilities	84,752	89,319	94,215
Trade and other liabilities	139,168	140,125	117,125
Loans, borrowings and other liabilities on account of financing	0	0	0
Lease liabilities	562	478	382
Current income tax liabilities	0	1,871	0
Provisions for employee benefits	2,061	1,877	1,757
Provisions for other liabilities and charges	0	0	41
Derivative financial instruments	0	0	0
Shot-term liabilities	141,791	144,351	119,305
Total liabilities	226,543	233,670	213,520
Total equity and liabilities	646,929	635,024	576,696

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022

Statement of changes in equity

Equity attributable to the Company's shareholders

	Share capital	Share premium	Retained profit	Other reserves	Total equity
As at 1 January 2022	2,004	77,272	322,143	0	401,354
Changes in equity:	0	0	19,032	0	19,032
Total comprehensive income			19,032		19,032
Dividends declared					0
Other					0
As at 30 June 2022	2,004	77,272	341,175	0	420,386
As at 1 January 2021	2,004	77,272	221,161	0	300,437
Changes in equity:	0	-65	100,982	0	100,917
Issue of shares	0	0			0
Total comprehensive income	0	0	100,982		100,982
Dividends declared					0
Other		-65			-65
As at 31 December 2021	2,004	77,207	322,143	0	401,354
As at 1 January 2021	2,004	77,272	221,161	0	300,437
Changes in equity:	0	0	62,739	0	62,739
Total comprehensive income			62,739		62,739
Dividends declared					0
Other					0
As at 30 June 2021	2,004	77,272	283,900	0	363,176

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Cash flow statement

	period from 01.01.2022 to 30.06.2022	period from 01.01.2021 to 30.06.2021
Cash flow from operating activities		
Gross profit / loss for the financial period	51,759	68,474
Adjustments for:	23,350	-104,326
Income tax	0	0
Depreciation/amortisation of fixed and intangible assets	4,122	4,080
Profit (loss) on investment activities	441	-2,889
Interest revenue	-684	-48
Interest expenses	34	18
Other	184	427
Changes in working capital:		
Inventories	21,927	-1,042
Trade and other receivables	7,957	12,075
Trade and other liabilities	-5,572	-112,343
Income tax paid	-4,605	-4,604
Net cash flows from operating activities	47,154	-35,852
Cash flows from investment activities		
Acquisition of property, plant and equipment and intangible assets	-1,748	-1,393
Acquisition of investment real properties	0	0
Inflows from sale of property, plant and equipment and from intangible assets	0	0
Other investment inflows / outflows	697	3,228
Net cash flows from investment activities	-1,051	1,835
Cash flow from financing activities		
Inflows from the issue of shares	0	0
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	-34	-18
Payments of liabilities under financial lease agreements	-281	-155
Other financial inflows/outflows	0	0
Net cash flows from financing activities	-315	-173
Net increase / decrease in cash	45,788	-34,190
Opening balance of cash	51,861	103,822
Foreign exchange gains (losses) on measurement of cash	0	0
Cash as at the end of the period	97,649	69,632

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Notes

1. Going concern

These financial statements of ACTION S.A. were prepared on the assumption that the Company would continue as a going concern in the foreseeable future, not shorter than 12 months from the balance sheet date.

2. Tax risk

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.

As many other entities in the IT sector, ACTION S.A. recognises the risks associated with intensified tax inspections and verification activities in the area of correctness of tax settlements.

Currently, there are no tax audit proceedings pending at the Company. However, the following tax proceedings are pending before the courts or have been concluded before the date of publication of the report:

– on 22 June 2016, the Company received a decision of the Head of the Tax Office in Olsztyn concerning the audit procedure 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 October 2016 (which the Company announced in current report No 56/2016 of 07 November 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 judgment of 28 December 2017. In connection with the above, the Company appealed against that decision to the Supreme Administrative Court. In a judgment of 20 April 2022, the Supreme Administrative Court in Warsaw dismissed the cassation appeal filed by the Company against the above mentioned judgment of the Provincial Administrative Court in Warsaw. The judgment of the Supreme Administrative Court is final and binding. The amount of the object of the dispute in the above case was PLN 29,115 thousand. This receivable is covered by a composition agreement by virtue of law and is subject to repayment under the terms of a validly approved composition agreement in the Issuer's completed restructuring proceedings. To this extent, the above receivable has been provisioned against the financial year 2016.

– on 4 January 2018, the Head of the Mazowieckie Tax and Customs Office in Warsaw issued a decision questioning the amount of input VAT for the period between August and December 2010. The Company lodged an appeal against that decision, which was not taken into account, because by way of a decision of 20 April 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 judgment of 12 March 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 April 2018. The Company appealed against this ruling to the Supreme Administrative Court because it did not agree with it. In the judgment of 20 April 2022, the Supreme Administrative Court in Warsaw overturned the aforementioned judgment of the Provincial Administrative Court in Warsaw in its entirety. Accordingly, the case was referred to the Provincial Administrative Court in Warsaw for re-examination. The amount of the object of the dispute in this case was PLN 3,442 thousand. This receivable is covered by a composition agreement by virtue of law and is subject to repayment under the terms of a validly approved composition agreement in the Issuer's completed restructuring proceedings. To this extent, the above receivable has been provisioned against the financial year 2017.

In the Company's view, 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. However, due to the fact that the judgment issued in one of the above cases became final and binding, the Company is obliged to implement this decision.

The total value of the liabilities resulting from the above decisions subject to the described court proceedings and pending VAT and CIT proceedings recognised in the books as at 30 June 2022 is PLN 10,625 thousand. The Issuer explains that the presented amount takes into account the current balances of provisions for these liabilities, pursuant to the degree of reduction resulting from the legally approved composition agreement in the Company's restructuring proceedings, and the composition-related instalments repaid to date.

The Company exercises and has always exercised the utmost diligence in concluding transactions, remains and has always remained cautious in establishing cooperation, acted and keeps acting in good faith in accordance with the procedures adopted by the Company and the highest standards of cooperation. Therefore, in the opinion of the Management Board of the Parent Company, the probability that the ongoing judicial appeal proceedings will yield a negative final outcome remains low.

3. Key accounting principles

Key accounting principles are described in *Note 2.5* of the Consolidated financial statements.

4. Revenue and expenses

4.1 Seasonal nature of sales

The seasonal nature of sales is described in *Note 5.1* of the Consolidated financial statements.

4.2 Property, plant and equipment

During the period covered by the report, the Company incurred investment expenses of PLN 1,748 thousand.

4.3 Investment real properties

Investment real properties are described in *Note 5.12* of the Consolidated financial statements.

4.4 Liabilities arising from the purchase of property, plant and equipment

As at the reporting date, the Company does not have liabilities arising from the purchase of property, plant and equipment.

5. 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:

	30.06.2022	31.12.2021
Deferred income tax assets:		
– deferred income tax assets falling due within 12 months	6,125	8,289
	6,125	8,289
Deferred income tax provisions:		
– deferred income tax provisions falling due within 12 months	5,887	5,905
	5,887	5,905
Deferred income tax assets	6,125	8,289
Deferred income tax provisions	5,887	5,905
Deferred income tax assets/provisions (on balance)	238	2,384

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

	30.06.2022	31.12.2021
Opening balance	2,384	10,045
Credit to / charge on the financial result	-2,146	-7,661
Increase / decrease in equity	0	0
Closing balance	238	2,384

6. Write-downs on assets

6.1. Impairment write-downs on long-term financial assets

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on long-term financial assets	-13,847	-14,166	-14,166
Created	0	0	0
Used	10,950	319	0
Released	0	0	0
Closing balance of impairment write-down on long-term financial assets	-2,897	-13,847	-14,166

6.2. Impairment write-downs on short-term financial assets

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on short-term financial assets	-3,122	-3,122	-3,122
Created	0	0	0
Used	0	0	0
Released	0	20	0
Closing balance of impairment write-down on short-term financial assets	-3,122	-3,102	-3,122

6.3. Write-downs on inventories

	30.06.2022	31.12.2021	30.06.2021
Opening balance of write-down on inventories	-7,767	-6,493	-6,493
Created (Costs of products, goods and materials sold)	-3,198	-3,880	-2,476
Utilised (Costs of products, goods and materials sold)	0	0	0
Released (Costs of products, goods and materials sold)	3,880	2,606	2,242
Closing balance of write-down on inventories	-7,085	-7,767	-6,727

The write-down was released following the revaluation of trading goods based on inventory ageing. Inventories are measured at a price not lower than a realisable sales price.

6.4. Write-downs on trade and other receivables

	30.06.2022	31.12.2021	30.06.2021
Opening balance of impairment write-down on receivables	-22,420	-25,210	-25,210
Created	-304	-1,613	-867
Used	14,419	1,426	0
Released	1,378	2,977	2,562
Closing balance of impairment write-down on receivables	-6,927	-22,420	-23,515

7. Shareholding structure

The Company's shareholding structure is presented in *Note 10.3* of the Notes to the half-yearly condensed consolidated financial statements.

8. Business combinations

During the period covered by the report, the merger of ACTION S.A. with ACTIVEBRAND Sp. z o.o. was initiated. The merger was registered on 12 August 2022.

9. Transactions with related parties

The tables below present amounts of mutual settlements and transactions made between the Company and the entities related by capital.

Revenue from sales to related parties

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Revenue from sales of products (services)	12	285
Revenue from sales of goods and materials	0	2,238
	12	2,523

Purchase from related parties

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Purchase of services	197	144
Purchase of goods and materials	0	0
Purchase of fixed assets, intangible assets and investment real properties and other	0	0
	194	144

Financial income

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Interest on borrowings	20	12
Dividends received	0	0
	20	12

Financial costs

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Interest on bonds	0	0
	0	0

Other financial assets

	30.06.2022	31.12.2021
Short-term Borrowings granted	0	0
	0	0

Receivables from related parties

	30.06.2022	31.12.2021
Short-term Trade and other receivables	764	757
Other receivables	0	0
Short-term receivables (gross)	764	757
Write-downs on receivables	751	751
(Net) short-term receivables	13	6

Liabilities to related parties

	30.06.2022	31.12.2021
Short-term Trade liabilities	30	46
Liabilities due to bonds	0	0
	30	46

Remuneration of managers

Remuneration paid and due

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Management Board, of which:	1,472	1,955
Piotr Bieliński – President of the Management Board	743	985
Sławomir Harazin – Vice-President of the Management Board	729	970

Remuneration of senior management

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Remuneration of the Members of the Company's Management Board	1,472	1,955
Remuneration of key executive personnel	3,079	3,108
	4,551	5,063

Key executive personnel includes the Company's Directors.

10. Net cash inflows from operating activities

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Gross profit / loss for the financial year	23,350	68,474
Adjustments for:	-508	-3,016
– Income tax	0	0
– Income tax paid	-4,605	-4,604
– Depreciation/amortisation of fixed assets and intangible assets	4,122	4,080
– (Profits) losses on investment activities, of which:	441	-2,889
Impairment write-downs	0	0
(Profits) losses on measurement of financial instruments	441	412
(Profits) losses on sale of non-financial assets	0	0
(Profits) losses on sale of financial assets	0	0
(Profits) losses on foreign exchange differences	0	-20
Other	0	0
(Profits) losses from compensations received	0	-3,281
– Interest revenue	-684	-48
– Interest expenses	34	18
– Other, of which:	184	427
Change in provisions	0	0
Net change due to cash flow hedges	0	0
Change in prepayments/accruals	0	0
Change in employee benefit liabilities	184	394
Other adjustments	0	33
Changes in working capital:	24,312	-101,310
– Inventories	21,927	-1,042
– Trade and other receivables	7,957	12,075
– Trade and other liabilities	-5,572	-112,343
Net cash inflows from operating activities	47,154	-35,852

11. Other investment inflows / outflows

	For the period 1.01.2022–30.06.2022	For the period 1.01.2021–30.06.2021
Other investment inflows/outflows, of which:		
– Acquisition of interests	0	-101
– Borrowings repaid	0	0
– Interest received	21	48
– Other	0	0
– Compensation received	0	3,281
– Cash received from liquidation of a subsidiary	530	0
– Dividends received	146	0
	697	3,228

12. Contingent assets and liabilities

As at 30 June 2022, the Company held contingent receivables due to the repayment of receivables in the amount of PLN 5,174 thousand. Hedging liabilities under agreements signed as at the reporting date and not reflected in the half-yearly condensed financial statements of the Company amounted to PLN 9,039 thousand as at 30 June 2022 and PLN 10,871 thousand as at 31 December 2021.

	30.06.2022	31.12.2021	30.06.2021
1. Contingent receivables	5,174	7,407	7,614
1.1. From other entities (due to)	5,174	7,407	7,614
– guarantees and sureties received	5,174	7,407	7,614
2. Contingent liabilities	9,039	10,871	12,064
1.1. To other entities (due to)	9,039	10,871	12,064
– guarantees and sureties granted	9,039	10,871	12,064
– letters of credit	0	0	0
1.2 To related parties (due to)	0	0	0
– guarantees and sureties granted	0	0	0
3. Other (due to)	0	0	0
Total off-balance sheet items	14,213	18,278	19,678

13. Events after the balance sheet date

Events after the balance sheet date are described in detail in note 8 of the half-yearly condensed consolidated financial statements.

14. Other information regarding the half-yearly condensed financial statements

14.1. Issue, redemption and repayment of non-equity and equity securities

The issue of bonds is described in *Note 10.1* of the Consolidated financial statements.

14.2. Court proceedings

Court proceedings are described in *Note 10.4* of the Consolidated financial statements.

14.3. Error adjustments

These financial statements do not contain adjustments of errors from previous periods.

These half-yearly condensed consolidated financial statements were approved by the Management Board of ACTION S.A. on 28 September 2022.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Agnieszka Sulewska
Person responsible for
maintaining the accounts

Zamienie, 28 September 2022

Half-yearly report of the Management Board on the operations of the ACTION S.A. Capital Group (Group) and ACTION S.A. (Company)

Information about the Group

1. Basic financial data and description of growth perspectives in the coming six months

During the first six months of 2022, the entities of the ACTION S.A. Capital Group achieved sales revenue of PLN 1,115,263 thousand, which represented an increase by 5.3% year-on-year. In the first six months of 2022, also a year-on-year increase in the margin on sales was recorded from 8.56% to 8.73%. This resulted in a net profit of PLN 17,759 thousand. The net profit achieved was lower than in the previous year due to one-off events in the corresponding period of 2021, which contributed to the amount of profit on other operations. Moreover, the lower profit was affected by an increase in labour costs and increasing costs of fuel and energy, which resulted in a significant increase in the costs of logistics services. In the period of the coming six months, the following issues will be of key importance for the results achieved:

- Using a wide and growing trade offer, while maintaining fast inventory turnover.
- Maintaining a highly diversified and geographically dispersed base of Suppliers and Recipients.
- Using strong business pillars:
 - Action Business Centre
 - E-commerce Automation
 - Consumer Product
 - Development of the product portfolio with respect to high-margin products, compliant with current trends and innovations
- Further expansion into foreign markets.

2. Assessment of the management of the Group's financial resources

The entities of the ACTION S.A. Capital Group pursue common management policy for financial resources. The main priorities of this policy are a stable liquidity situation and low and stable interest-bearing debt. The main indicators describing financial security in H1 2022 remained at a safe level and their values were as follows:

Liquidity ratios	30.06.2022	31.12.2021
Current liquidity ratio (current assets / current liabilities)	3.50	3.53
Fast liquidity ratio (liquid current assets / current liabilities)	1.91	1.94
Cash ratio (short-term investments / current liabilities)	68%	58%

Similarly to the previous year, the liquidity ratios for the ACTION S.A. Capital Group at all analytical levels were at levels far exceeding the values observed among other industry entities and very rarely encountered in the economy. The value of the ratios achieved plays and will continue to play a special role in the environment of high and increasing interest rates.

All debt ratios further improved and were as follows at the end of June 2022:

Group debt ratios	30.06.2022	31.12.2021
General debt ratio	0.35	0.37
Equity to assets ratio	0.65	0.63
Interest-bearing debt/equity	0.002	0.003

3. Description of the organisation of the Group with the indication of the entities subject to consolidation

The composition of the ACTION S.A. Capital Group is presented in *Note 1.2* of the Condensed half-yearly consolidated financial statements.

4. Effects of changes in the Group's structure

The deletion of ACTION EUROPE GmbH in Liquidation from the court register took place on 25 April 2022.

5. Performance of forecasts

In the period covered by the report, the Company did not publish any stock exchange forecasts of results.

6. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of total votes at the Company's general meeting, including the number of shares held by such parties, their percentage share in the share capital, the number of votes vested with such shares and their percentage share in the total votes at the general meeting, and indication of changes in the ownership structure of the Company

According to the information available to the Company, the following shareholders hold at least 5% of the total votes at the General Meeting of Shareholders as at the date of submission of the previous report for Q1 2022, i.e. 27 May 2022:

Natural or legal person	Number of shares held	% share in the capital of ACTION S.A.	Number of votes	% share in the number of votes
Piotr Bieliński	3,811,749	19.02%	3,811,749	19.02%
Aleksandra Matyka	3,093,457	15.44%	3,093,457	15.44%
Wojciech Wietrzykowski	1,199,390	5.99%	1,199,390	5.99%
Lemuria Partners Sicav P.L.C.	1,018,000	5.08%	1,018,000	5.08%
Other	10,914,404	54.47%	10,914,404	54.47%

Shareholding structure above 5% share in the share capital as at the date of preparation and submission of this report for H1 2022, i.e. 28 September 2022, remained unchanged and is as follows:

Natural or legal person	Number of shares held	% share in the capital of ACTION S.A.	Number of votes	% share in the number of votes
Piotr Bieliński	3,811,749	19.02%	3,811,749	19.02%
Aleksandra Matyka	3,093,457	15.44%	3,093,457	15.44%
Wojciech Wietrzykowski	1,199,390	5.99%	1,199,390	5.99%
Lemuria Partners Sicav P.L.C.	1,018,000	5.08%	1,018,000	5.08%
Other	10,914,404	54.47%	10,914,404	54.47%

7. 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 at the date of submitting the report for Q1 2022, i.e. 27 May 2022, the managing and supervising persons held the following shares in ACTION S.A.:

First and last name	Position in the management of ACTION S.A.	Number of shares of ACTION S.A.
Piotr Bieliński	President of the Management Board	3,811,749
Sławomir Harazin	Vice-President of the Management Board	15,017
Iwona Bocianowska	Chair 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 the commercial power of attorney	1,199,390
Andrzej Biały	Holder of the commercial power of attorney	20,000

According to the information available to the Company, the above status did not change as at the date of submission of this report for H1 2022, i.e. 28 September 2022, and is as follows:

First and last name	Position in the management of ACTION S.A.	Number of shares of ACTION S.A.
Piotr Bieliński	President of the Management Board	3,811,749
Sławomir Harazin	Vice-President of the Management Board	15,017
Iwona Bocianowska	Chair 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 the commercial power of attorney	1,199,390
Andrzej Biały	Holder of the commercial power of attorney	20,000

8. Material proceedings pending before court, competent arbitration authority or public administration authority

Court proceedings are described in *Note 10.4 Court proceedings* of the Consolidated financial statements. Apart from the proceedings described in *Note 10.4*, there are no other proceedings before authorities competent for arbitration proceedings. Material proceedings before public administration authorities are described in *Note 3.4 Taxes*.

9. Non-arm's length transactions with related parties

In the period covered by the report, the Group's companies did not conclude transactions with related parties on non-market conditions.

10. Information on borrowings granted

In the reporting period, the Group did not grant any borrowings.

11. Information on guarantees and sureties granted

As at 30 June 2022, the value of guarantees and sureties granted amounted to PLN 9,039 thousand, of which:

Bank guarantees for the total amount of PLN 1,203 thousand (EUR 257 thousand),

Bank guarantees for the total amount of PLN 56 thousand (USD 12.5 thousand),

Bank guarantees for the total amount of PLN 7,780 thousand.

12. Description of factors and events, especially of unusual nature, having a material impact on the financial results achieved

During the first six months of 2022, the most significant factor affecting the results of the ACTION S.A. Capital Group was the outbreak of war in Ukraine, the influence of military operations on the prices of fuels and energy as well as the impact of the above on consumer sentiments and the sentiment among entrepreneurs.

All the above-described aspects had an essential impact on the Company's results.

In addition, the effects of the COVID-19 pandemic were still observed factors of unusual nature.

13. Factors affecting the Group's results by the end of 2022

In the opinion of the Management Board, the most significant factor influencing the Group's results by the end of 2022 will be the impact of the ongoing war in Ukraine, the resulting scale of the observed energy crisis and the effects of inflation.

Apart from the above, the most important factors affecting the results generated in the future include:

in relation to internal factors:

a) Ongoing processing of composition-related payments.

- b) Ongoing analysis of the profitability of transactions and the markets served with a clear focus on the small customer and retail market, including in particular e-commerce, in Poland and abroad.
- c) Constant supervision over the development of Sferis.pl and krakvet.pl.
- d) Operations connected with active participation in the renewable energy market, in particular the PV market.
- e) Ongoing supervision of the scope of the commercial offer and entry into new markets.
- f) Strict control of the effectiveness of managing current assets, in particular inventories.
- g) Ongoing monitoring of risks related to the operations of the ACTION S.A. Capital Group and taking measures to limit or eliminate them.
- h) Ongoing analysis and strict control of the cost effectiveness of operations.
- i) Ongoing control and effective management of finances in the conditions of limited financing.
- j) Effective use of the available logistic resources.
- k) Active monitoring of changes in markets and searching for new business areas.

in relation to external factors:

- a) Effects of changes caused by warfare in Ukraine.
- b) Results of fiscal proceedings against the Issuer's largest competitors and their impact on their operations and market structure.
- c) Conduct of financial institutions, including banks and insurers.
- d) Changes in the distribution market and consumer behaviour.
- e) Technological changes in products offered.
- f) Changes in market shares of the Issuer's largest suppliers and customers.
- g) Economic and political situation in Poland and around the world.
- h) Effects of implemented and planned changes in law.
- i) Scale of investment projects implemented in Poland, in particular IT investment projects.
- j) Changes in the current and long-term monetary policy in Poland and around the world.
- k) Impact of the COVID-19 epidemic effects, in particular on the supply of and demand for goods offered by the Issuer and the above-mentioned issues.

In connection with the political and economic situation on the territory of Ukraine and the maintenance by the President of the Council of Ministers of the CRP alert level on the territory of Poland concerning the threat of a terrorist incident regarding the ICT systems of public administration bodies or the ICT systems, the Issuer monitors and evaluates the impact of the above situation on the operations of the Company and its Capital Group. In compliance with sanction provisions, the Company does not cooperate with sanctioned entities. The issue of supply of products manufactured by the Company's contractors in the sanctioned territories is assessed in the same manner. Therefore, apart from the changes in demand caused by the geopolitical situation, currently, the political and economic situation in the territory of Ukraine has no actual direct impact on the operations of the Issuer and the Capital Group, going concern assumptions, financial results, items presented in financial statements as at the balance sheet date, as well as recognition and measurement of items after the balance sheet date. Due to the presented principles of cooperation with entities from the sanctioned territories of Ukraine, Russia and Belarus, the Company does not assume a negative impact of the discussed situation on the operations of the Issuer and its Capital Group in the future. However, in the event of unexpected circumstances, in particular prolonged military operations or extension of their territorial scope, as well as prolonged energy crisis, potential disruptions in supply chains and a general increase in operating expenses may occur, which could have a negative impact on the activities of the Company and the Capital Group.

14. Material risk factors related to the Group's operations

Detailed description of the material risk factors related to the operations of the Group is presented in items 15 and 23 below.

15. Financial instruments – risks and their hedging

15.1. Risk related to changes of product prices

The market on which the entities of the ACTION S.A. Capital Group operate is characterised by a tendency for goods to quickly become obsolete which, consequently, contributes to a decrease in their prices. Therefore, the entities of the Group pay special attention to effective management of the supply chain, with particular attention paid to the maintenance of the lowest possible inventory turnover. The Group's entities analyse changes of market prices on an ongoing basis for the purpose of optimal management of the said risk.

15.2. Credit risk

The Group follows a policy of crediting its customers by applying extended payment deadlines for products sold. The credit risk arising in such circumstances is an unavoidable component of market competition. The purpose of the procedures functioning in the Group is to maintain the credit risk at the level accepted by the individual Group companies. The Group pursues a policy limiting credit exposure with respect to individual customers. The applied credit limits granted to individual contractors are aimed at eliminating an increase in risk caused by excessive concentration of credit sales on a single customer. The level of the credit limit, i.e. the level of credit risk accepted by individual Group companies, is determined individually for each customer on the basis of their financial standing, the cooperation to date and the history of their operations. In order to increase the credit limit, the contractor must submit additional collaterals which decrease the level of the credit risk. Since 1 April 2006, the Parent Company have insured receivables, except for receivables from subsidiaries and selected long-standing customers. The credit risk arising from granting extended payment dates to external contractors is limited by using collateral in the form of a bill of exchange or a notarial deed on submission to enforcement procedures as well as one of the following types of material collaterals:

- an agreement on assignment of receivables and other rights,
- an agreement transferring the title of ownership to goods,
- an entry to the land and mortgage register at the first position,
- a bank guarantee,
- a bank deposit.

15.3. Risk of significant cash flow disruptions and risk of loss of financial liquidity

The market of the distribution of IT products as well as home appliances and consumer electronics is characterised with relatively considerable changeability of the share of components of current assets and sources of financing thereof in particular months of the year. Changes in the value of inventories and receivables enforce the need to monitor liquidity and debt ratios on an ongoing basis. Entities of the ACTION S.A. Capital Group make efforts on a regular basis to ensure appropriate amounts of cash necessary to finance temporary surpluses of current assets.

16. Basic financial data and description of growth perspectives in the coming six months

16.1. Selected financial data of the ACTION S.A. Capital Group

	H1 2022	H1 2021
Net sales	1,115,263	1,059,184
Gross profit / loss on sales	97,375	90,662
<i>gross margin</i>	8.73%	8.56%
EBIT	22,802	69,688
<i>EBIT margin</i>	2.04%	6.58%
Net profit/loss	17,759	62,305
<i>net margin</i>	1.59%	5.88%

In the first six months of 2022, the Group earned sales revenue of PLN 1,115,263 thousand, which represents an increase of 5.29% year-on-year.

In that period, the Group recorded a profit on sales of PLN 97,375 thousand, showing an increase in value of 7.40% in this respect. The operating profit for H1 2022 was PLN 20,802 thousand versus PLN 69,688 thousand for H1 2021. The net profit of the period was PLN 17,759 thousand versus PLN 62,305 thousand for H1 2021. Gross margin on sales reached 8.73% versus 8.56% achieved for H1 2021.

In the opinion of the Management Board of ACTION S.A., the results of the first six months of 2022 were mostly impacted by the positive effects of increased demand for goods offered by the entities of the ACTION S.A. Capital Group, as well as maintaining high diversification at all levels of activity and high care regarding the updating and expansion of the commercial offer. Factors resulting from the ongoing war in Ukraine were also of importance.

In the second half of 2022, the Management Board expects an increased demand for the goods offered by Group entities in connection with:

- the autumn and winter season that significantly affects the demand for products offered by the Group,
- the acquisition of new partners and products corresponding to the current demand,
- further development of sales channels supported by the Group,
- further expansion of the supported export markets.

Information about the Company

16.2. Selected financial data of ACTION S.A.

	H1 2022	H1 2021
Net sales	1,115,275	1,058,956
Gross profit / loss on sales	97,177	90,022
<i>gross margin</i>	8.71%	8.50%
EBIT	23,555	70,252
<i>EBIT margin</i>	2.11%	6.63%
Net profit/loss	19,032	62,739
<i>net margin</i>	1.71%	5.92%

17. Explanation of differences between forecasts and figures disclosed in the report

During the reporting period, ACTION S.A. did not publish any forecasts regarding the Company's results.

At the same time, as in the previous year, the report for H1 2022 indicates that the Company is realising a net result exceeding that presented in the last published forecast.

18. Shareholders holding at least 5% of total votes at the Company's general meeting and the summary of shares held by managers and supervisors

Information on shareholders holding at least 5% of shares and on changes in shareholding in the period covered by the report is presented in items 6 and 7 above.

19. Material proceedings pending before court, competent arbitration authority or public administration authority

Court proceedings are described in *Note 10.4* of the Consolidated financial statements. Apart from the proceedings described in *Note 10.4*, there are no other proceedings before competent arbitration authorities. Material proceedings before public administration authorities are described in *Note 2 Tax risk* of the Financial statements.

20. Non-arm's length transactions with related parties

In the period covered by the report, the Company did not make transactions with related entities under non-market conditions.

21. Information on guarantees and sureties granted by the Company

As at 30 June 2022, the value of guarantees and sureties granted amounted to PLN 9,039 thousand, of which:

Bank guarantees for the total amount of PLN 1,203 thousand (EUR 257 thousand),

Bank guarantees for the total amount of PLN 56 thousand (USD 12.5 thousand),

Bank guarantees for the total amount of PLN 7,780 thousand.

22. Information on loans incurred by the Company

In the first six months of 2022, the Company concluded a Multi-Product Agreement No 808/2022/00000962/00 (hereinafter referred to as: the "Agreement") with ING Bank Śląski S.A. with its registered office in Katowice (hereinafter referred to as: the "Bank"). Pursuant to the Agreement, the Bank granted to the Issuer a revolving credit limit (hereinafter referred to as: the "Limit") in the amount of PLN 30,000,000 with the availability period until 28 September 2023. Within the Limit, the Bank undertook to provide the Issuer with financing (hereinafter referred to as: the "Products") in the form of:

- a working capital loan in bank accounts in PLN, EUR, and USD to finance the Company's current operations with the availability period until 28 March 2023;
- bank guarantees in PLN, EUR, and USD, issued at the request of the Issuer, with the availability period until 28 March 2023 and the expiry date of the guarantee until 21 March 2024;
- letters of credit in PLN, EUR, and USD, issued at the request of the Issuer, with the availability period until 28 September 2023 and the expiry date of the letters of credit until 21 March 2024.

The Limit is common for the above-mentioned Products. Moreover, the Bank granted the Issuer a working capital loaning the form of a renewable line up to PLN 33,000,000 by 28 March 2024, which is used to service the repayment of the Company's due liabilities on account of the Products and in such a case the Bank's claim on account of the working capital loan in the form of a renewable line replaces the Bank's claims on account of the Products. The financing granted by the Bank under the Agreement provides for the Bank's remuneration determined on the basis of the relevant indicators (WIBOR, EURIBOR, SOFR) increased by the Bank's margin.

Legal collaterals for the repayment of the loan within the Limit are: a) registered pledge on a separate part of the Company's warehouse inventory with a minimum value of PLN 49,500,000 and the highest amount of collateral in the same amount established on the basis of a registered pledge agreement; b) assignment of rights under the insurance policy (excluding insurance against the risk of theft) of the above-mentioned inventories of the Company up to PLN 49,500,000; c) authorisation to dispose of the funds accumulated in all accounts opened and maintained by the Bank for the Company; d) statement of the Issuer on submission to enforcement, pursuant to Article 777(1)(5) of the Civil Procedure Code concerning the obligation to repay the sum up to the amount of PLN 49,500,000.

23. Material risk factors connected with the Company's operations

23.1. Risk of the inventory maintenance

The Company's basic activity is the sale of technologically advanced goods which by their nature are exposed to the ageing process and the resulting reduction of their value. When launching new models of products on the market, manufacturers reduce the prices of previously offered products.

The Group's entities analyse their current inventory levels on an ongoing basis in order to limit the impact of this risk on their performance.

23.2. Risk of losing receivables

The most important item of the Company's assets in terms of value is its commercial receivables. As any other entity dealing with trade, the Company is exposed to the risk of losing some of its receivables. The risk

increases along with the gradual economic slowdown in Poland and around the world. Considering the potential loss of receivables, the Company takes out insurance against this risk, using the services of top insurers.

23.3. Risk factors connected with the environment in which the Company carries out its operations

23.3.1. Risk connected with the macroeconomic situation in Poland

The macroeconomic indicators of the Polish economy and the pace of its growth significantly influence the value

and trends observed on the market operated by GK Action. The willingness to purchase goods offered by GK Action and, as a result, the value of purchases performed by the customers of GK Action Entities are substantially connected with the growth of GDP, the level of investments and the perception of the market situation by retail buyers. The Management Board closely monitors the effects of the ongoing war in Ukraine and the tensions on the energy and fuel market, which, in the opinion of the Management Board, may significantly influence the dynamics of global economies and indirectly, the dynamics of the Polish economy.

23.3.2. Foreign exchange risk

The Company is exposed to the foreign exchange risk, in particular USD and EUR. The foreign exchange risk arises from future trade transactions as well as assets and liabilities recognised. The foreign exchange risk arises whenever future trade transactions as well as assets and liabilities recognised are denominated in a currency other than the functional currency of the entity. The increase in the risk is proportionate to changes observed on the currency market. The Company tries to minimise the foreign exchange risk by the ongoing monitoring of the structure and value of open foreign currency positions and, in the case of essential values, to secure positions by making foreign exchange swap transactions.

23.3.3. Risk of the legal environment

The changing laws and various interpretations thereof constitute a risk to the operations of ACTION S.A. Any changes in the provisions of law may lead in a direction causing the occurrence of negative effects for the Company's operations. These changes may have a serious impact on the legal environment of the economic operations. The introduction of a new regulation important for business life may lead to interpretation problems, inconsistent court decisions, unfavourable interpretations assumed by the public administration bodies, etc.

23.3.4. Tax policy risk

The Polish tax system is characterised by frequent changes of provisions, many regulations are imprecise and there are no clear-cut guidelines on their interpretation. The interpretations of the same tax provisions are frequently changed, and, unfortunately, there are discrepancies between the practice of tax authorities and the judicial decisions in the area of taxation. Although the Company monitors the activities of the fiscal authority on an ongoing basis and makes efforts to adjust its activities to its current practice, then if the fiscal authority changes its interpretations of the same provisions, in several years' time the taxpayer's activities may be deemed to be incorrect. Therefore, the risk is greater in the case of a Polish company than in the case of a company operating in more stable tax systems. In such a situation, the operations of the company and their recognition in tax statements and returns may be arbitrarily deemed by the tax authorities as inconsistent with the tax laws. However, it is anticipated that the two-instance proceedings before administrative courts and the *acquis communautaire* will contribute significantly to the uniformity of court decisions in tax cases and, as a result, to the uniform application of the tax law, including by fiscal authorities. One of the risk elements, in particular among entities operating in the electronics sector, though not only, concerns assessment of the good faith and due care of the taxpayer making purchases from suppliers which – in the opinion of the tax authority – either let irregularities occur, or their predecessors did so. In such situations, the tax authority almost always and automatically concludes that the final buyer was involved in tax fraud too, or alternatively, that it failed to exercise due care during the process of verifying its suppliers, including that it failed to verify from what entities the supplier had purchased goods being the subject matter of tax fraud in the opinion of the authority, regardless of what measures the final buyer takes in order to protect itself from that. Judicial decisions of Polish courts in this respect are also much stricter than judicial

decisions of the Court of Justice of the European Union, although more and more often, Polish courts take them into account, when handing down decisions more favourable for taxpayers. Obstacles include provisions on the limitations period for tax liabilities, in particular possibilities of suspending or interrupting the running of this period, which involves a possibility of verifying the correctness of the calculation of the tax liabilities for a relevant period. Tax returns specifying the amount of the tax liability and the amount of payments made may be verified through inspections by the tax authority within five years since the end of the year in which the tax payment date passed; however, this period may be extended if the tax or fiscal authority interrupts or suspends the running of the limitations period, which is relatively easy. If the tax authorities adopt an interpretation of tax regulations, which form the basis for calculating the tax liability, different than the interpretation adopted by the Company, the Company may be forced to pursue its arguments before the Polish courts and the CJEU, which may have a significant adverse impact on the operations of the Company, its financial situation, and, in consequence, its results and growth perspectives.

The decisions received from the Tax Audit Office are described in detail in *Note 3.4 of the Half-yearly consolidated financial statements*.

23.3.5. Risk connected with composition agreement

In the period from 1 August 2016 to 15 December 2020, the Company has been subject to the restructuring proceedings under Article 2.4 of the Restructuring Law Act of 15 May 2015. By order of the District Court for the Capital City of Warsaw in Warsaw, 18th Division for Bankruptcy and Restructuring (file No XVIII GRs 1/19), of 7 August 2020, the composition agreement in the restructuring proceedings of the Company was approved (hereinafter referred to as: the "Composition Agreement"). This decision is valid as of 15 December 2020. The Company's intention was and is to avoid the threat of insolvency and to protect the rights of its creditors, including in particular the repayment of their claims, in accordance with the Composition Agreement. The Company implements the Composition Agreement in accordance with its provisions. However, it should be remembered that in the event of non-performance of the Composition Agreement, it is possible that it could be revoked and the Company would still be obliged to satisfy its creditors. Depending on the Company's financial situation, the occurrence of such an option might result in the obligation to initiate bankruptcy proceedings.

A detailed description of the implementation of the Composition Agreement is included in *Note 7 "Implementation of the Composition Agreement" of the Half-yearly consolidated financial statements*.

23.3.6. Risk connected with the COVID-19 pandemic

Since the first reports of COVID-19, the Company has undertaken measures to secure trade, in particular within the supply chain. Together with reports on the 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.

The effects of the above-mentioned changes after the introduction by the Government of the Republic of Poland of the state of epidemiological threat and then throughout the epidemic state 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.

23.3.7. Risk of recession

The political, social and economic events which took place since the beginning of 2022 in the world, such as the war in Ukraine and its effects observed in particular on energy and fuel markets, the ongoing policy of zero COVID in China and its effects on world economies, indicate the possibility of at least technical recession for many global economies, including in Poland. The Management Board keeps track of both the demand and the value of macroeconomic indicators for the most important Recipient Countries supported by GK Action and makes decisions on the scale of operations conducted there and the commercial offer on an ongoing basis. Moreover, measures are taken on an ongoing basis to both update the commercial offer and to acquire new export directions and channels there.

Piotr Bieliński
President of the Management
Board

Sławomir Harazin
Vice-President of the Management
Board

Zamienie, 28 September 2022