

Zwaagdijk-Oost, 19 March 2019

A strong 2018 for Action: 23% sales growth and 230 stores added in 7 European countries

Highlights (unaudited, amounts in € million)	2018	2017	2018 vs 2017
Net sales	4,216	3,418	+23.3%
LfL sales growth¹	3.2%	5.3%	
Operating EBITDA²	450	387	+16.3%
Number of stores	1,325	1,095	+230
Number of employees³	46,000	41,000	+ 5,000

Sander van der Laan, CEO, commenting on the 2018 results:

“2018 was another successful year for Action showing strong growth driven by 3.2% like-for-like sales growth and the addition of 230 stores. Our continued success underlines the strength of the Action customer proposition of a broad, surprising and ever-changing product range at the lowest price. During 2018, we have accelerated our pipeline of five new distribution centres (DCs) and invested in our organisational and supply chain infrastructure to support the strong growth of our customer proposition, store network and expansion into new countries. Action remains focused on its international growth strategy with the ambition to become a €10 billion sales company over the medium term.”

Adrian Bellamy, Chairman of the Board of Directors:

“The fundamentals of Action’s proposition and business model remain compelling. Action performed very well last year particularly considering the significant challenges facing many of the retail concepts across our markets, and I would like to express the appreciation of the Board to all our employees. Action will continue to invest in growth and a more resilient supply chain to support this growth.”

Strong financial results

Action performed very well with strong sales growth across all countries. Consolidated net sales totalled €4,216 million, up 23.3% compared to 2017. Healthy like-for-like growth in all our markets resulted in an overall like-for-like sales growth of 3.2%. Operating EBITDA increased by 16.3% to €450 million from €387 million in 2017.

¹ Calculated on stores open for more than 12 months

² Earnings before interest, tax, depreciation, amortization and non-recurring items

³ Number of employees as of 31 December, rounded in thousands

These results were achieved despite a very challenging year for the broader European retail industry – amongst others caused by exceptional weather in the winter, summer and fall of 2018 which affected customer footfall across the entire retail industry in Europe.

Sales were also impacted by a number of specific issues:

- Operational challenges in our two French DCs which led to availability of stock issues in many stores during the second and third quarters of 2018.
- The “Gilets Jaunes” protests in the second half of the year and railway strikes (20 days in the first half) which led to reduced sales growth at key times in France.
- Weather-related delays to the delivery of our two most recent DCs in France and Germany; these DCs are now operational but their delayed opening resulted in a supply chain capacity shortage in the second half of the year which in turn led to a delay in opening 20 stores from quarter 4 2018 to quarter 1 2019 in France.

The supply chain situation is now stabilised and has resulted in a strong performance in France and elsewhere in the final months of 2018. Like-for-like sales growth increased in quarter 4 2018 to a healthy 4.4% overall (above the rate seen in the previous three quarters) with higher and stable stock availability seen across the French network of stores. Strong like-for-like sales growth continued during the first eleven weeks of 2019.

Our gross margin was impacted by stock clearance in two of our categories: Decoration and Garden & Outdoor. The stock level in these categories is now well-balanced.

Our operating expenditures were impacted by:

- an incremental increase in transportation costs due to the delay in the opening of two new DCs.
- start-up costs for new DCs.
- a decrease in productivity of our stores due to the operational challenges in the supply chain.
- the current labour market confronting us with higher hourly rates.
- a significant step-up in IT and incremental investments to strengthen the capabilities in our commercial, planning and supply chain teams for future growth.

Following our recapitalisation in March 2018, Action de-geared from 5.5x EBITDA to 4.4x EBITDA during the remainder of the year, as a result of strong cash generation and continued profit growth.

International expansion

The Action customer proposition – a broad, surprising and ever-changing product range at the lowest price - continues to be extremely well received in all the markets in which we operate.

Last year, Action added 230 stores and renewed 48 stores. The majority of the new stores were opened in France and Germany. In Poland, the success of our six store pilot, started in 2017 led to the opening of an additional 19 stores in 2018. In 2019, Action will continue with its store roll-out programme in France and Germany and will accelerate its store growth rate in Poland.

Action accelerated its store renewal programme in the Netherlands and Belgium: 48 stores were refurbished, enlarged or relocated in 2018 compared to 27 the year before.

Continuing investment in the Action organisation and supply chain infrastructure

Action continues to invest for future growth with a substantial focus on the organisation and the supply chain infrastructure. Action is accelerating the roll-out of its DC network: Action currently has seven operational DCs including Belleville (F) and Peine (D), which started operations in early 2019. A further three DCs will open before the end of 2020 and will lead to a doubling of the number of DCs over a three year period. This investment will facilitate further store roll-out in existing and new countries.

The DC expansion is being accompanied by the roll-out of new IT systems to support end-to-end supply chain planning and a significant people investment in parallel areas of supply chain infrastructure.

Number of stores on December 31, by geography	2018	2017	2018 vs 2017
The Netherlands	378	367	+11
Belgium and Luxembourg	172	153	+19
Germany	288	216	+72
France	424	335	+89
Austria	38	18	+20
Poland	25	6	+19
<u>Total</u>	<u>1,325</u>	<u>1,095</u>	<u>+230</u>

Action Social Responsibility

Our Action Social Responsibility strategy consists of four building blocks: product, people, environment and citizenship. During 2018 we implemented several initiatives, for example:

- **Product:** we finalised our policies for the sourcing of timber and cotton and for the use of chemicals and packaging materials and started the implementation with our suppliers. We increased our number of products with a sustainable quality label such as FSC, UTZ or Oeko-Tex. In addition, we started the phasing out of single use plastic products.
- **People:** we created 5,000 jobs and now employ 129 different nationalities. In 2018, we had over 24,000 participants in our training programmes.
- **Environment:** we recycle all cardboard and plastic transport packaging. All our new stores and distribution centres will be equipped with energy-saving lights. The new DC in Belleville is BREEAM certified and is equipped with a solar power plant on its roof.
- **Citizenship:** as part of our partnership with SOS Children's villages, we supported over 1,100 children in Asia. This number will be increased to over 1,300 for 2019.

Our annual brochure UPDATE 2018, with an extensive overview of Action in 2018, is now available to download at www.action.com/update2018

About Action

Action is the fastest-growing international non-food discounter with 1,352 stores in the Netherlands, Belgium, France, Germany, Luxembourg, Austria and Poland. Action employs 46,000 people. In 2018 total sales were EUR €4.2 billion. Around one third of the more than 6,000 products Action offers is part of our standard range. The rest of the range is dynamic and changes frequently. Action introduces more than 150 new items every week. Our product range consists of 14 categories: decoration, DIY, toys & entertainment, stationery & hobby, multimedia, household, garden & outdoor, laundry & cleaning, food & drink, personal care, pets, sports, clothing and linen. Action offers private labels and well-known brands. Action is able to charge extremely low prices due to its large scale and efficient purchasing, optimal distribution and the cost-conscious culture across the organisation. Action makes no concessions on the quality, safety or production conditions of our products. Our Action Ethical Sourcing Policy ensures a responsible social and environmental approach to manufacturing.

For more information (not for publication):

Action: Yvette Moll

Mail: press@action.nl

Tel. +31 (0)228 31 17 64

www.action.com