

*Emperia*  
Grupa Kapitałowa

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Q1 2014



# Emperia Group - operating structure

**Retail**

**Stokrotka**

**Supermarkets**

**Property development**

**Elpro Development S.A.  
and other companies**

**Property management  
and development**

**IT operations**

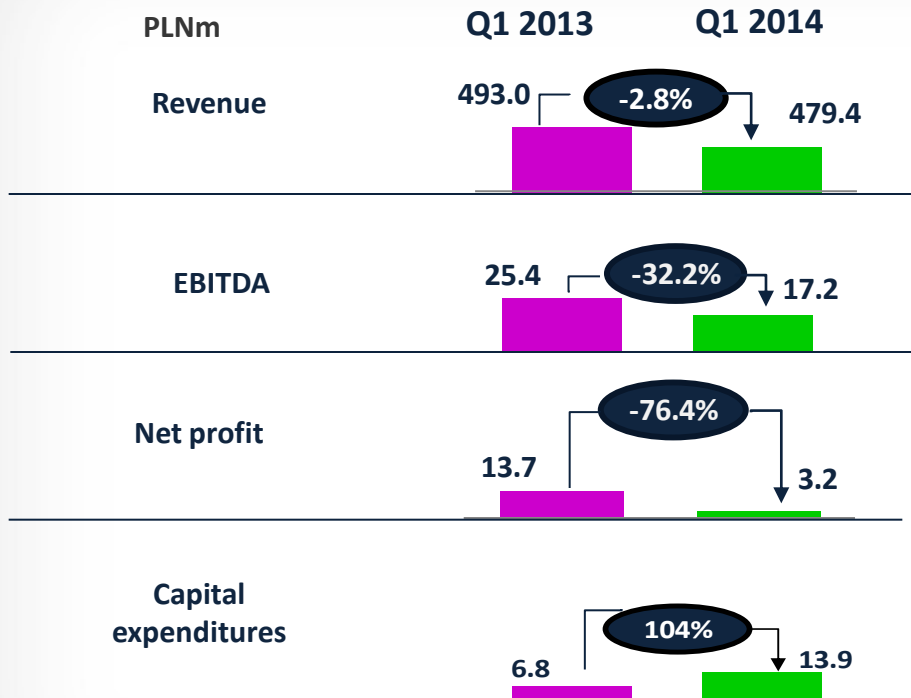
**Infinite**

**B2B communications  
ERP systems for retail**

# Significant events in Q1 2014

- Buy-back programme continued - PLN 16.3m spent
- Work on the Stokrotka franchise offering finalised
- Merger of retail-segment companies with Stokrotka
- Restructuring of Delima continued

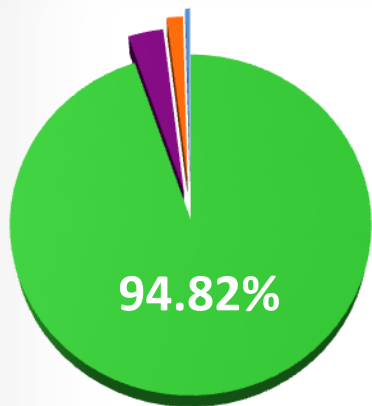
# Emperia Group - Q1 2014 results



- Decrease in revenue from sales - Easter 'moved' to the second quarter
- One-off expense connected with termination of a Delima store lease: PLN 1m
- Q1 2014 logistics costs: PLN 19.6m
- Result on property disposals in Q1 2013: PLN 3.1m
- Lower result on financing activities (Q1 2014: PLN 0.4m vs. Q1 2013: PLN 1.7m)
- Costs connected with the merger of retail companies incurred in Q1 2014: PLN 1m

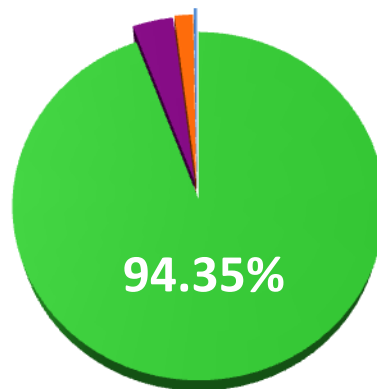
# Emperia Group - financial results

Q1 2013

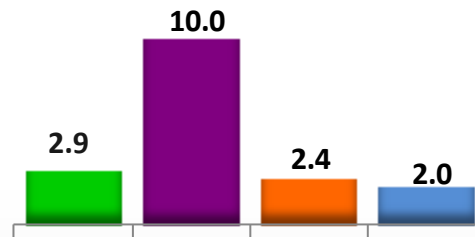
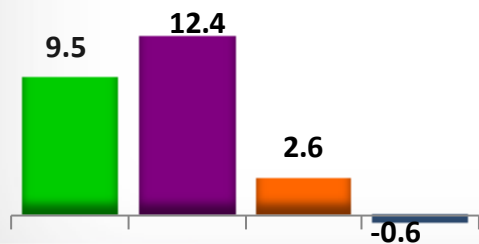


Revenue structure

Q1 2014



EBITDA  
(in PLNm)



# Emperia Group - balance sheet

PLNm	Q1 2013	2013	Q1 2014
Goodwill	49.2	52.0	52.0
Property, plant and equipment	494.7	497.9	495.3
Net working capital	-75.0	-76.5	-47.8
Other	-14.6	-17.6	-20.2
<b>Invested assets</b>	<b>454.3</b>	<b>455.8</b>	<b>479.3</b>
Borrowings	0.0	4.3	4.2
Cash and cash equivalents	247.3	195.2	158.5
<b>Net debt</b>	<b>-247.3</b>	<b>-190.9</b>	<b>-154.3</b>
<b>Equity</b>	<b>701.6</b>	<b>646.7</b>	<b>633.6</b>

# Emperia Group - operating cash flow

PLNm	Q1 2013	Q1 2014
Net profit	13.7	3.2
Depreciation	10.1	11.7
Change in working capital	12.7	-25.3
Other operating revenue	-2.4	1.9
<b>Operating cash flow</b>	<b>34.1</b>	<b>-8.5</b>

- Negative effect of Easter being 'moved' to Q2 2014
- Change in capex structure to increase depreciation

*Retail*

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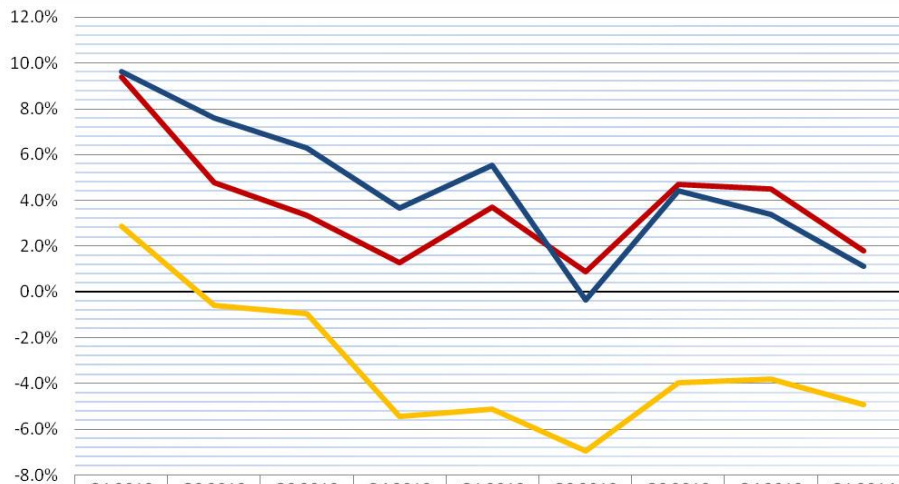
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# Poland's retail market 2012-2014

## Change in quartely sales value y/y

nielsen



	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Retail sales*	9.4%	4.8%	3.3%	1.3%	3.7%	0.9%	4.7%	4.5%	1.8%
Supermarkets**	9.6%	7.6%	6.3%	3.7%	5.5%	-0.3%	4.4%	3.4%	1.1%
Hipermarkets**	2.9%	-0.6%	-1.0%	-5.4%	-5.1%	-6.9%	-4.0%	-3.8%	-4.9%

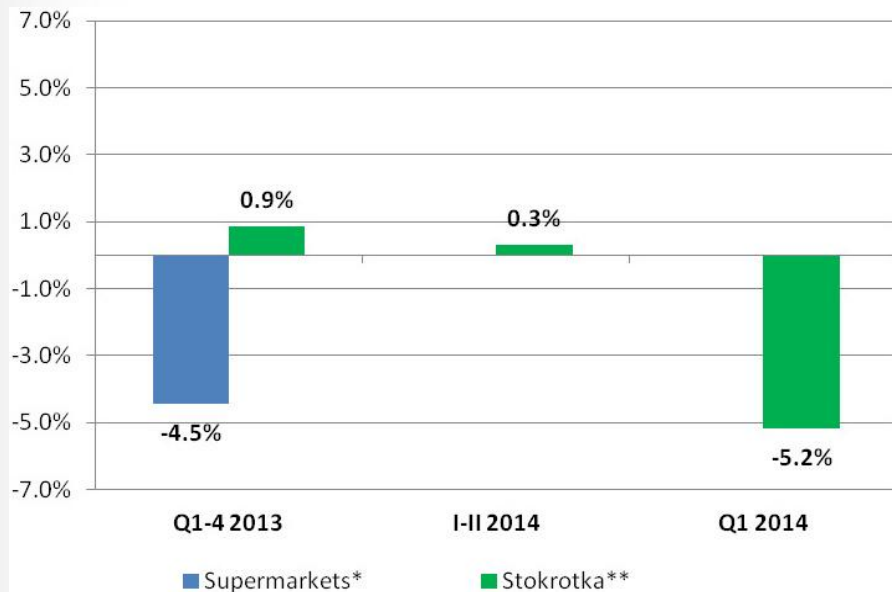
- According to Poland's Central Statistical Office (GUS), retail sales grew by 1.8% in Q1 2014 compared with the previous year.
- According to Nielsen, first-quarter sales in the Supermarkets segment grew by 1.1% from the year before, while the Hipermarkets segment saw a 4.9% y/y decline.

\* Retail sales (food, beverages and tobacco products) year to year, GUS data

\*\* Nielsen data - overall sales (Hipermarkets: Real, Auchan, Tesco >2500sqm, Carrefour >2500sqm, E. Leclerc >2500sqm, Supermarkets: Carrefour <2500sqm, Carrefour Market, Simply Market, E. Leclerc <2500sqm, Intermarcne, Netto, Polomarket, Stokrotka, Tesco <2500sqm)

# LFL sales - Stokrotka vs. supermarkets

## Change in sales y/y



\* Nielsen data – same store sample - 895 Supermarkets (Carrefour<2500sqm, Carrefour Market,

Simply Market, E.Leclerc <2500sqm, Intermarche, Polomarket, Tesco <2500sqm)

\*\* LFL data (own calculations, adjusted by closed stores)

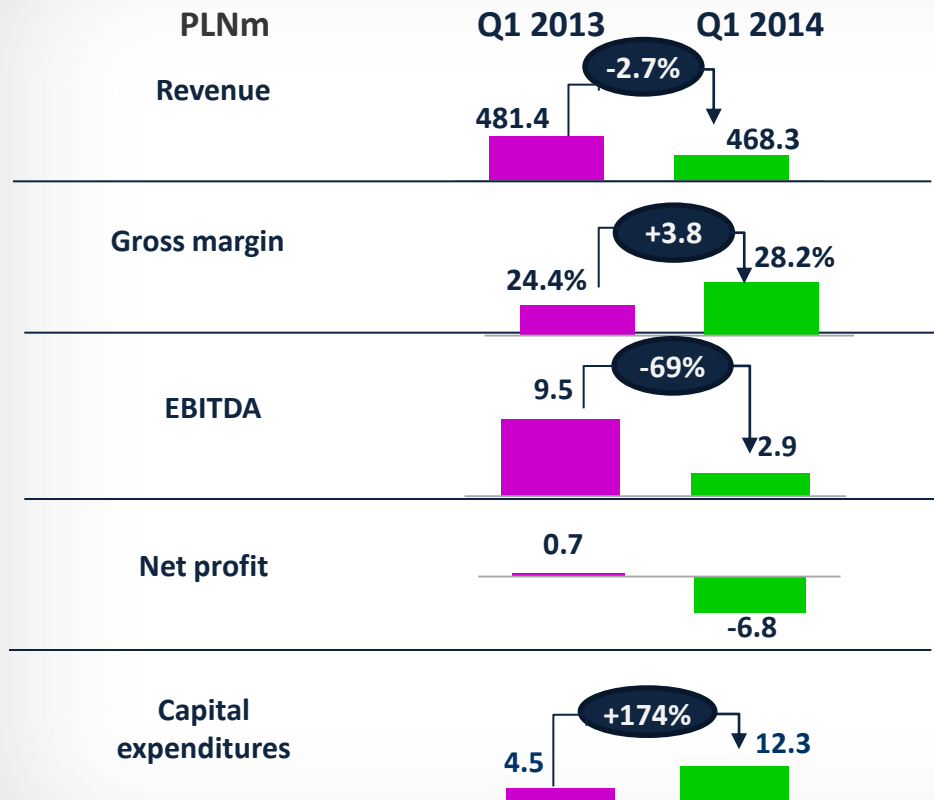
## Stokrotka sales results ahead of the supermarket segment

- According to Nielsen, 2013 same-store sales in the Supermarket segment (excluding Stokrotka), **declined by 4.5%**.

### **Q1 2014 data not yet available.**

- LFL sales at Stokrotka supermarkets **increased by 0.9%** in 2013.
- First-quarter LFL sales at Stokrotka supermarkets were **down 5.2%** (Easter effect moved in time), while sales in the I-II comparative period went **up 0.3%**.
- According to GUS, Q1 2014 inflation **was 0.6%**.

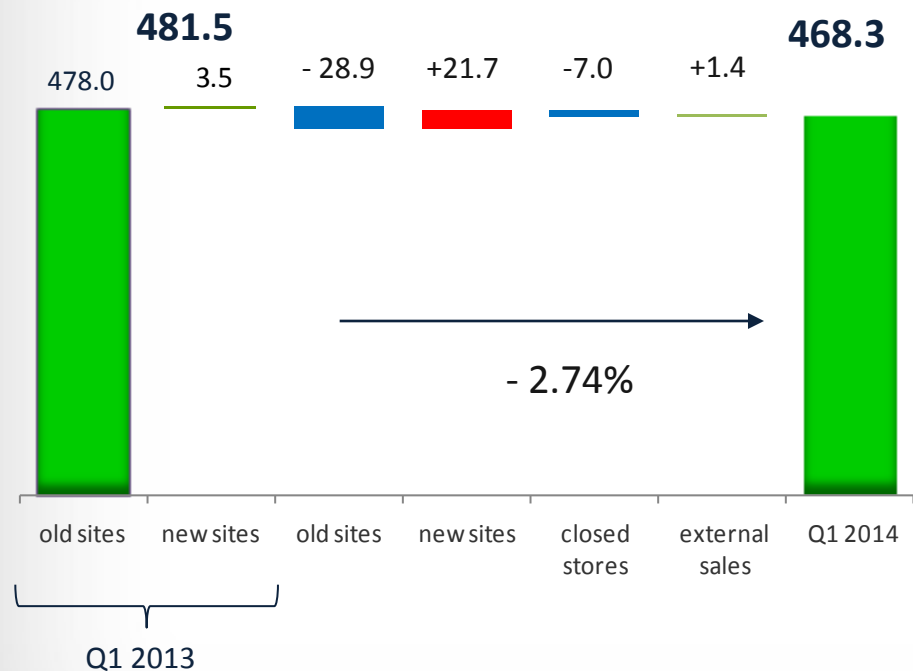
# Retail - financial results



- Negative effect on sales and earnings of Easter being 'moved' to Q2 2014
- Increase in gross sales margin: 3.8pp
- Logistics costs for the period: PLN 19.6m, i.e. 4.2% of revenue from sales.
- One-off expense related to termination of a lease agreement: PLN 1m
- Estimated transaction costs regarding the merger of retail companies: PLN 1m

# Retail - sales change drivers in Q1 2014

Change, in PLNm



older sites - stores open as at 2012 year-end, newer sites - opened since Q1 2013

- Lower sales at older sites due to the negative effect of Easter being 'moved' to Q2 2014
- Higher relevance of newer sites
- Commencement of sales to franchise stores

# Retail - Stokrotka

## Number of stores

Number of stores at the end of Q4 2013	247
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Stores opened in Q1 2014	0
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Stores closed in Q1 2014	7
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Number of stores at the end of Q1 2014	240
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## Average monthly sales per store sqm (in PLN)



	Q1 2013	Q1 2014	change
Supermarkets	1 330	1 269	-4.6%
Stokrotka	1 325	1 259	-5.0%

## Stores by format

	Number of stores	Revenue*
own supermarkets	216	450.8
own markets	23	15.5
franchise supermarkets	1	1.4
franchise markets	0	0.0
stores shut-down	7	0.6

\* / in PLNm /

- Closure of six smaller stores with sales floor area below 150 sqm as a result of merger
- Closure of one Stokrotka supermarket

-Nielsen data - all Supermarkets: Carrefour<2500m2, Carrefour Market, Simply Market, E.Leclerc <2500m2, Intermarkche, Netto, Polomarket, Tesco <2500m2)

- amounts inclusive of VAT

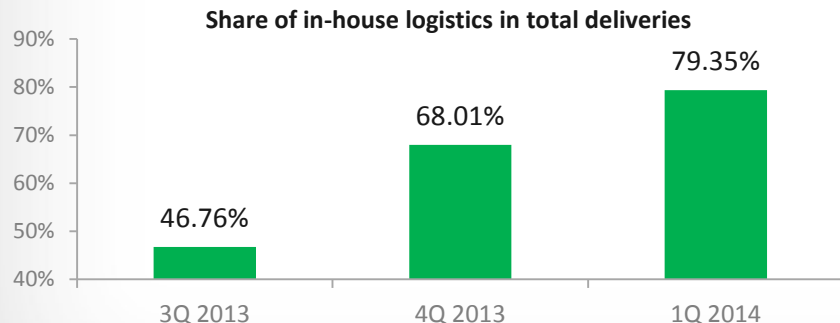
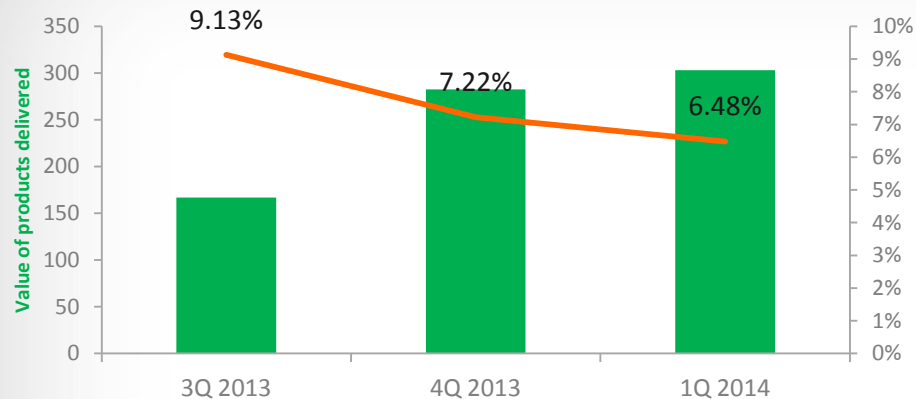
# Retail - working capital turnover

	Q1 2013	2013	Q1 2014
Inventory turnover	26.5	42.2	45.2
Receivables turnover	7.1	5.8	4.8
Payables turnover	48.4	66.3	62.5
Cash conversion cycle	-14.8	-18.3	-12.5

*Turnover ratios presented in days*

- Increase in inventory in Q1 2014 - preparations for Easter
- Tobacco products distribution through the central hub introduced in February
- Above-average inventory of alcohol beverages
- Shorter receivables turnover

# Retail - in-house logistics



- Introduction of the last key category - tobacco products - to central-hub distribution
- In February 2014, a regional warehouse in Tarnobrzeg was launched.

Further performance drivers:

- Transport system optimisation (central hub-regional warehouses)
- Improved productivity at the Teresin central hub

# Retail - on-going initiatives

## Sales and marketing

- Completion of work on the Stokrotka franchise offering
- Commencement of a further round of negotiations with suppliers delivering to the central hub
- Assortment optimisation
- Roll out and further development of the Stokrotka Market store concept
- Continued rebranding (36 stores in Q1 2014)
- Preparations for supermarket remodelling

## Logistics

- Full product assortment introduced to in-house logistics
- Continuous improvement of the logistics system

## Costs

- Cost optimisation at store and central level



# *Property development*

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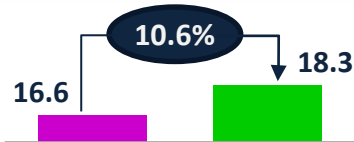
# Property development - financial results

PLNm

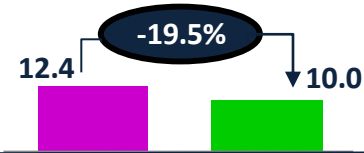
Q1 2013

Q1 2014

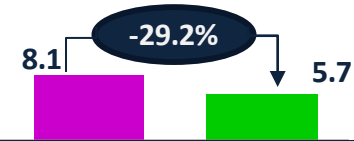
Revenue



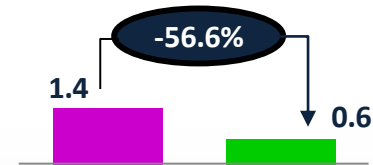
EBITDA



Net profit



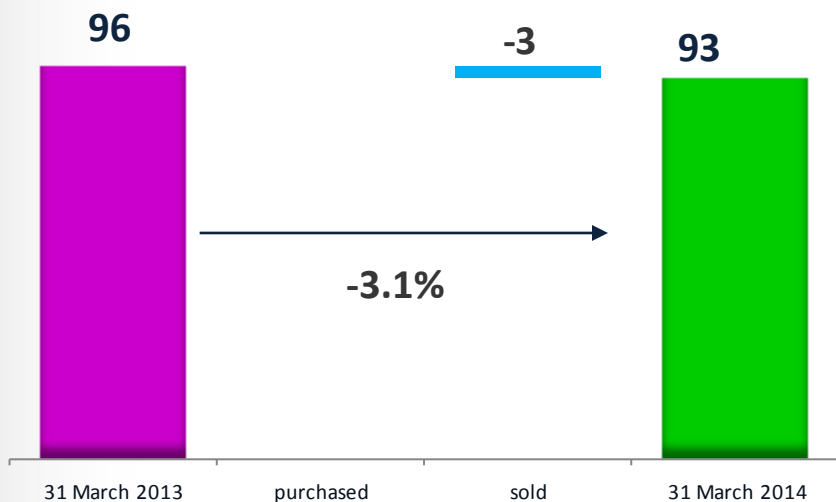
Capital expenditures



- Result on property disposals in Q1 2013: PLN 3.1m
- Effective tax rate in Q1 2013: 0%; Q1 2014: 13.8%

# Property development

## Change in the number of properties



## Q1 2013 Type of property Q1 2014



## Structure of operating properties



# Property development

## NOI\* (in PLNm)

	Number of facilities	Average monthly NOI in Q1 2014
NOI - operating facilities	82	3.5
including retail sites	77	3.4

\* NOI (net operating income) for a property is defined as the difference between its operating revenue and operating costs, less depreciation

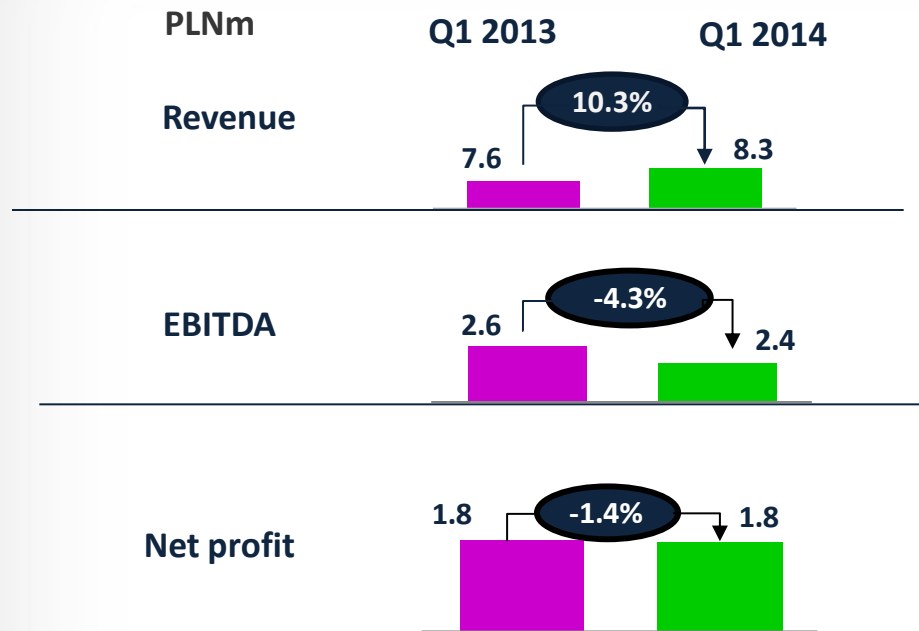
## Retail sites

	Related lessees	Other lessees
Lease space (sqm 000's)	56.4	35.7
Average lease rate [PLN per sqm]	43.4	39.7

# *IT operations*

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- Share of external revenue in Q1 2014: 69.4%; in Q1 2013: 71.5%
- Revenue structure: Q1 2014: 78.2% services, 21.8% products; Q1 2013: 88.0% services, 12.0% products

# *Emperia Group's proposed split-up*

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# Emperia Holding split-up

- Adviser selection nearly complete
- Expected publication date for the split-up plan: June / July 2014
- Decision on transformation of P1 Sp. z o.o. to Elpro Development S.A. (April 2014, currently pending registration)
- Expected registration date for the split-up: end of 2014 / beginning of 2015
- Objectives of the split-up:
  - ❑ Unbundling the property business line
  - ❑ Maintaining the shareholding structure immediately after the split-up
  - ❑ Higher growth capacity for the property business through projects for other retailers
  - ❑ Easier comparisons and valuations of the unbundled businesses
  - ❑ Higher capacity to participate in market consolidation processes
  - ❑ Listing of shares in Elpro Development S.A.



# *Corporate governance*

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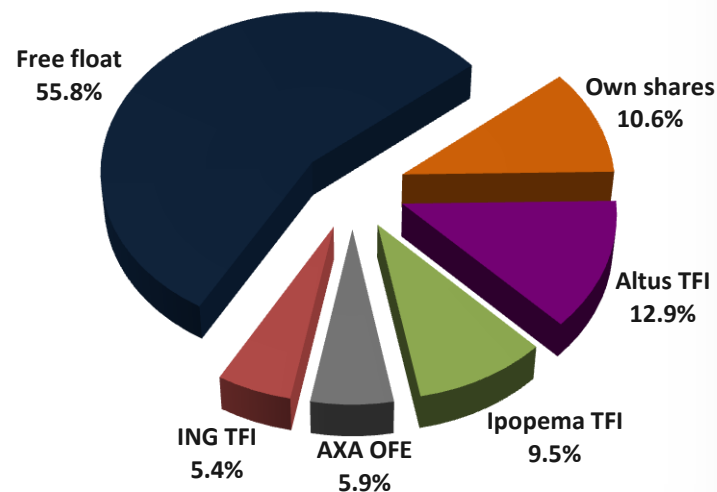
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# Corporate governance 2013

- Total number of shares purchased by Emperia Holding S.A. and P1 Sp. z o.o. as at 15 May 2014: **1 606 768 (i.e. 10.63%)**
- Value of own shares purchased in 2014 YTD: PLN 16.3m
- Dividend recommendation of 8 May 2014: PLN 0.90 per share
- General meeting called for 5 June 2014

## Shareholding structure

(as per the Company's latest data)



Number of registered shares: 15 115 161

# Thank you for your attention

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