

Emperia
Group

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Emperia Group

Emperia Group

Emperia is one of Poland's largest and most dynamic retail groups (134th in the 500 Largest Companies in Poland ranking*), extending its reaching throughout the country. Established in 1990, Emperia operates in the retail FMCG segment. The group's parent company, Emperia Holding S.A., is responsible for developing strategy and monitoring progress at all of the Emperia Group companies.

Emperia Holding S.A. has been listed on the Warsaw Stock Exchange since 2002. Long-term value creation combined with rigorous corporate governance and business ethics are at the core of our relations with shareholders and investors.

* Rzeczpospolita's 500 Largest Companies in Poland ranking, 19th edition

Emperia Group - business lines

Retail

Stokrotka

Own and franchise stores

Property development

Elpro Development

Property management
and development

IT business

Infinite

B2B communications, document
management, ERP systems for retail

History of Emperia Group's business lines

2016	Convenience store concept test
2015	Expansion of IT product portfolio through acquisition of itBCG
2014	Launch of new concepts: markets and franchise
2013	New strategy for supermarkets
2011	Disposal of Tradis
2006	Consolidation with BOS
2002	Emperia Holding S.A. IPO on the WSE Formation of IT company Infinite Sp. z o.o.
2001	Formation of property company Elpro Sp. z o.o.
1996	Launch of first Stokrotka store
1990	Launch of food wholesale operations

Management Board



Dariusz Kalinowski – President

- 14 years with Emperia Holding S.A.
- Graduated from the University of Szczecin, Economics Department
- MBA from the European University Centre for Management Studies in Switzerland
- President of the Management Board, Stokrotka Sp. z o.o.

Cezary Baran – Vice-President

- 16 years with Emperia Holding S.A.
- Graduated from the Maria Curie-Skłodowska University, Economics Department
- Investment adviser licence no. 241
- Member of the Management Board, Finance Director, Stokrotka Sp. z o. o.



Supervisory Board

Artur Kawa – chairperson of the supervisory board

- Co-founder of Emperia Holding S.A.
- Was President of the Management Board, Emperia Holding S.A. from founding to 2013
- Graduated from the Lublin University of Technology, Electrical Engineering Faculty
- MBA from the University of Minnesota

Artur Laskowski – supervisory board member

- Co-founder of BOS S.A. (acquired by Emperia Holding S.A.), long-term management board member of the Company

Michał Kowalczewski – vice-chairperson of the supervisory board (independent)

- PhD in economic sciences; graduate of Warsaw School of Economics (SGH) Finance and Statistics Department

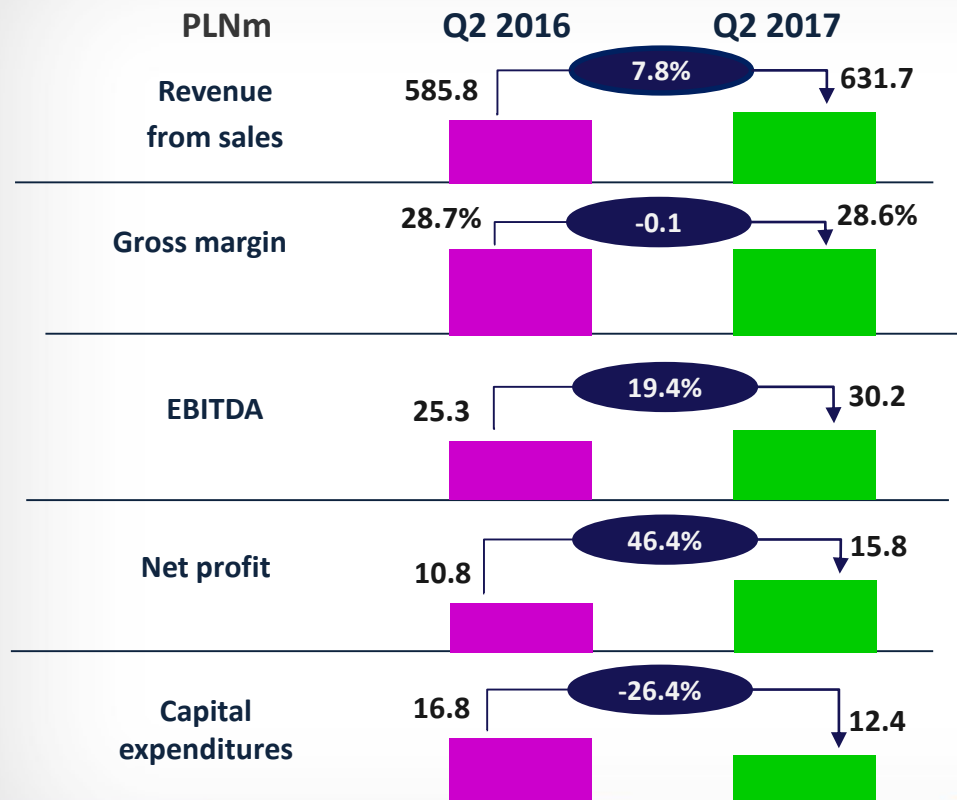
Jarosław Wawerski – supervisory board member

- Co-founder of Emperia Holding S.A.
- Graduated from the Lublin University of Technology, Electrical Engineering Faculty
- Vice-President of Emperia Holding's management board during 1995-2012

Aleksander Widera – supervisory board member (independent)

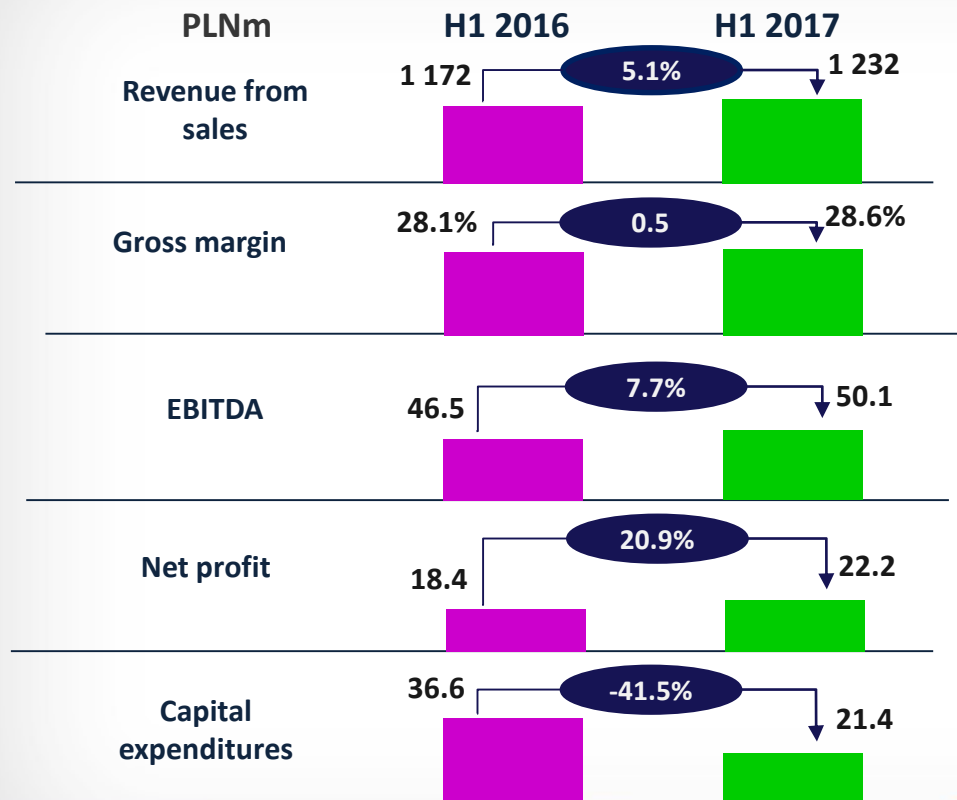
- Degree in Finance and Banking from the Warsaw School of Economics, completed post-graduate studies in management at the same university

Emperia Group – Q2 2017 financial results



- Group results under positive impact from retail segment
- LFL sales in retail segment up by 2.5%
- Retail-segment results are offsetting weaker results in IT
- Stable impact of property segment on results
- Release of provision for compensation in Q2 2017: PLN 1.4m (Q2 2016: none)

Emperia Group – H1 2017 financial results



- Sales growth coming from new stores
- LFL sales in retail segment down by 0.1% (high base effect from 2016)
- LFL sales in retail segment up by 6.3% between 2015 and 2017
- EBITDA margin in retail segment up by 0.6pp
- Approx. 5% growth in personnel costs at stores in H1 2017, compared to H1 2016, with over 8% growth in minimum wage
- Financing from the State Fund for the Rehabilitation of the Disabled (PFRON) concerning previous periods in H1 2017: PLN 2.3m, H1 2016: none
- Release of provision for compensations in H1 2017: PLN 1.4m, H1 2016: none

Emperia Group – balance sheet

PLNm	1H2016	2016	1H2017
Goodwill	52.0	52.0	52.0
Property, plant and equipment	528.7	510.6	510.3
Net working capital	-61.5	-89.3	-84.0
Other	10.5	9.1	19.9
Invested assets	529.7	482.4	498.2
Borrowings	12.2	1.7	1.3
Cash and cash equivalents	83.4	146.4	147.4
Net debt	-71.1	-144.7	-146.1
Equity	600.8	627.1	644.3

- Increase in cash over the past 12 months by PLN 64m despite dynamic growth
- Proceeds from asset disposals, decreased by corporate income tax, in the past 12 months: PLN 27.1m
- Buy-back expenditure in the past 12 months: PLN 10.5m
- Capital expenditure in the past 12 months: PLN 41.4m

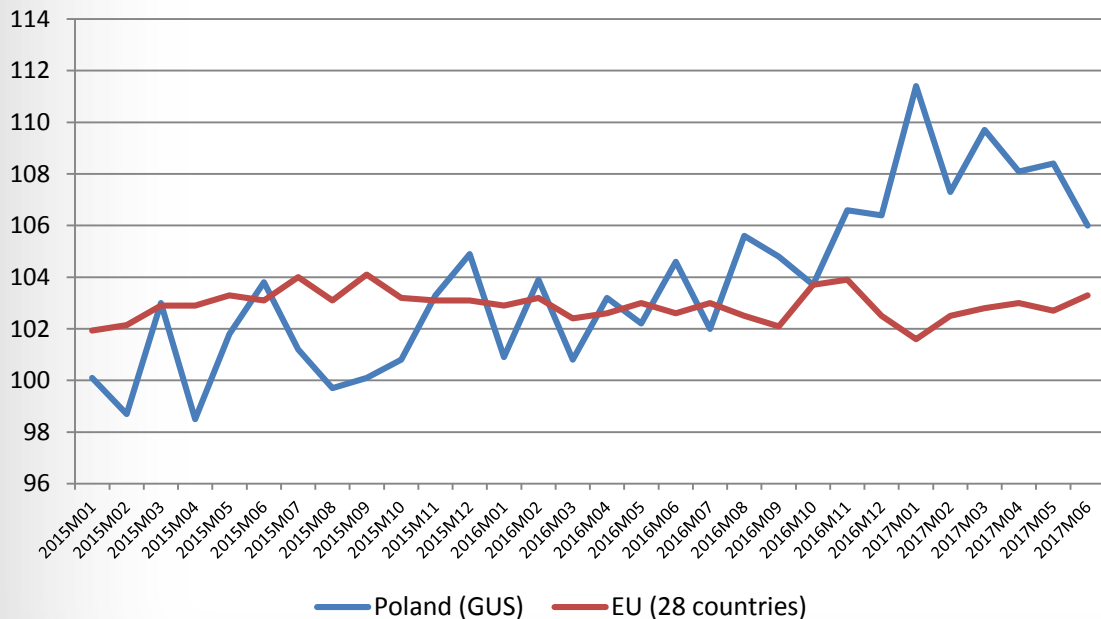
Retail

Emperia Group

Poland Macro Snapshot

Retail trade turnover

month year ago = 100

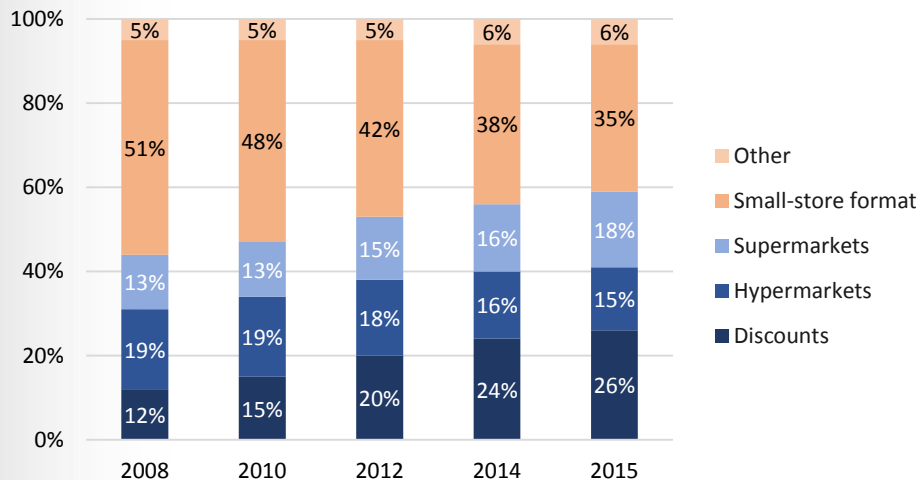


- population of over 38.4 million
- nominal GDP in 2016: PLN 1,85 trillion
- sixth largest economy in the EU
- one of the fastest-growing EU countries
- FMCG market value in 2016: approx. PLN 244 billion (6.4% growth from 2015)
- disposable income to continue growing as result of changes in Poland's economic policies

* Source: Eurostat, GUS.

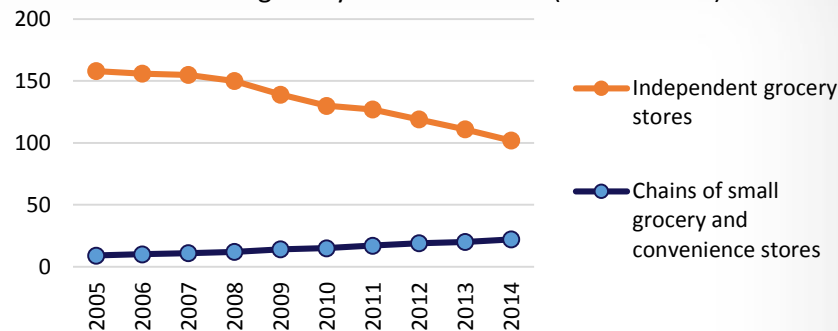
Market trends

FMCG market structure in Poland

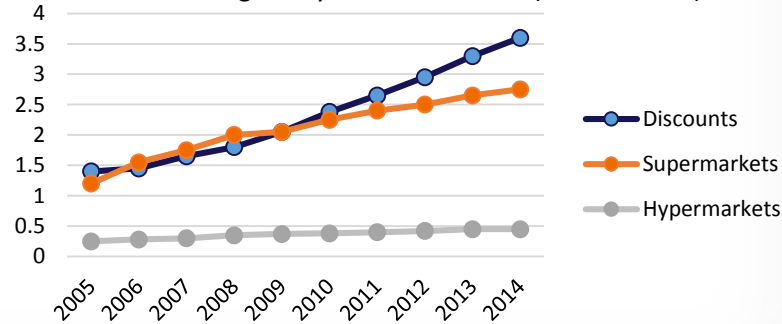


Source: Sector report, Food Distribution, DM PKO, 30 November 2016

Number of grocery stores in Poland (in thousands)



Number of grocery stores in Poland (in thousands)

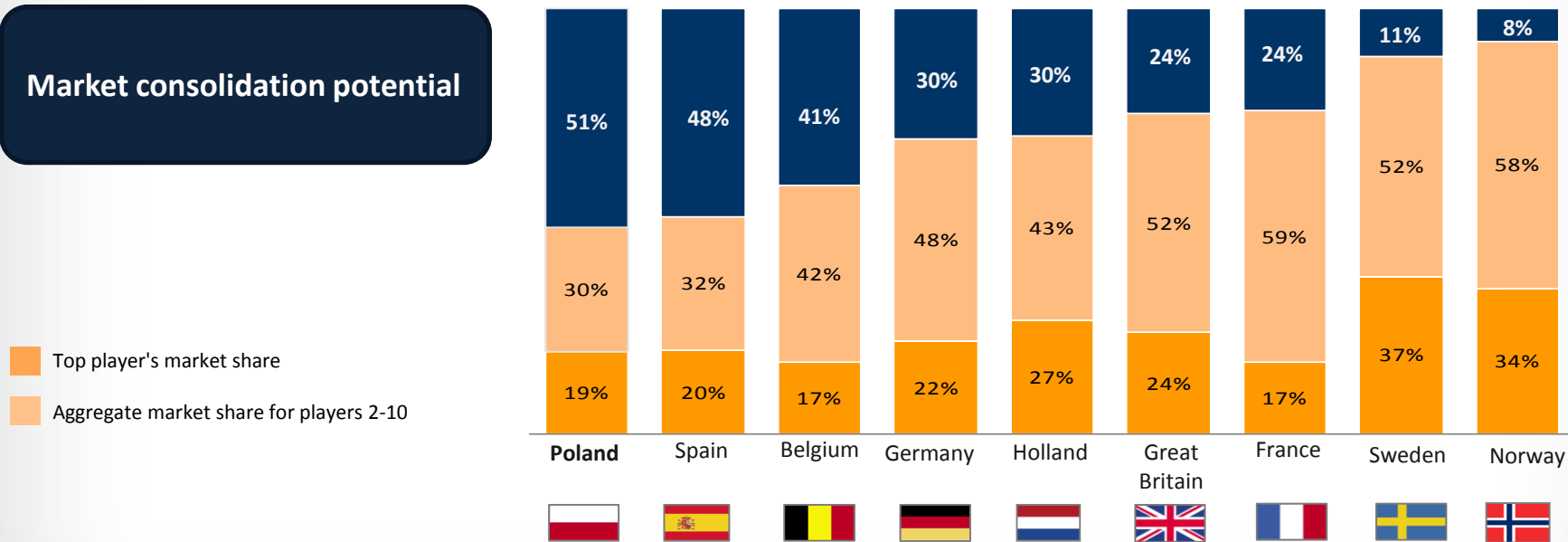


Source: KPMG Poland based on Euromonitor International, "At a crossroads. Challenges and priorities for grocery chains in Poland" published on 27 May 2015.

Concentration of Polish market vs. European markets

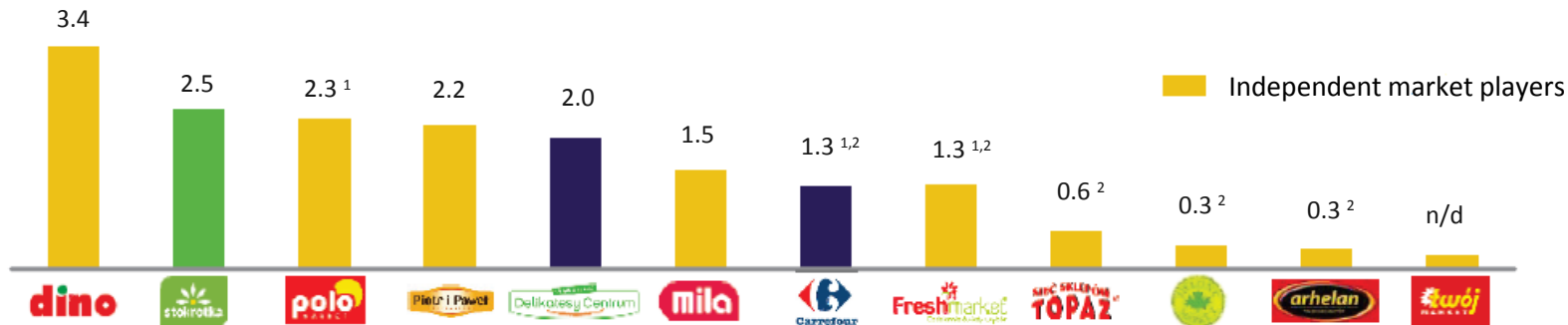
Estimated market shares for top 10 retailers in 2013

Market consolidation potential



Stokrotka consistently increase market share

Top proximity supermarket store chains in Poland by 2016 sales (in PLNbn)



¹ Estimate ² FY 2015 data

Retail

Retail segment – Stokrotka Sp. z o.o.

- Operates in Poland
- Multi-format
- Adapted to local market
- Stores with 200-800sqm of space
- **407** stores
- Over **8 300** employees
- **9.5m** clients per month



Store formats



LOCATION	stores opened up in sales catchment area with minimum population of 5 000	large differences in format depending on location: large cities and towns in rural areas
	convenient locations encouraging both daily shopping and larger trips	locations encouraging quick shopping
ASSORTMENT	wide assortment, with a particular focus on fresh produce: meats, vegetables and fruits	basic assortment for daily and weekly shopping
	between 5 500 and 10 000 SKUs	between 3 500 and 5 000 SKUs
SALES FLOOR SPACE	400 - 800 sqm	200 - 400 sqm
CAPEX PER AVERAGE STORE	PLN 1.1m	PLN 0.6m

Stokrotka franchise

The Stokrotka FRANCHISE concept is the best offering on the market for those wanting to run their own retail business in a market or supermarket format:

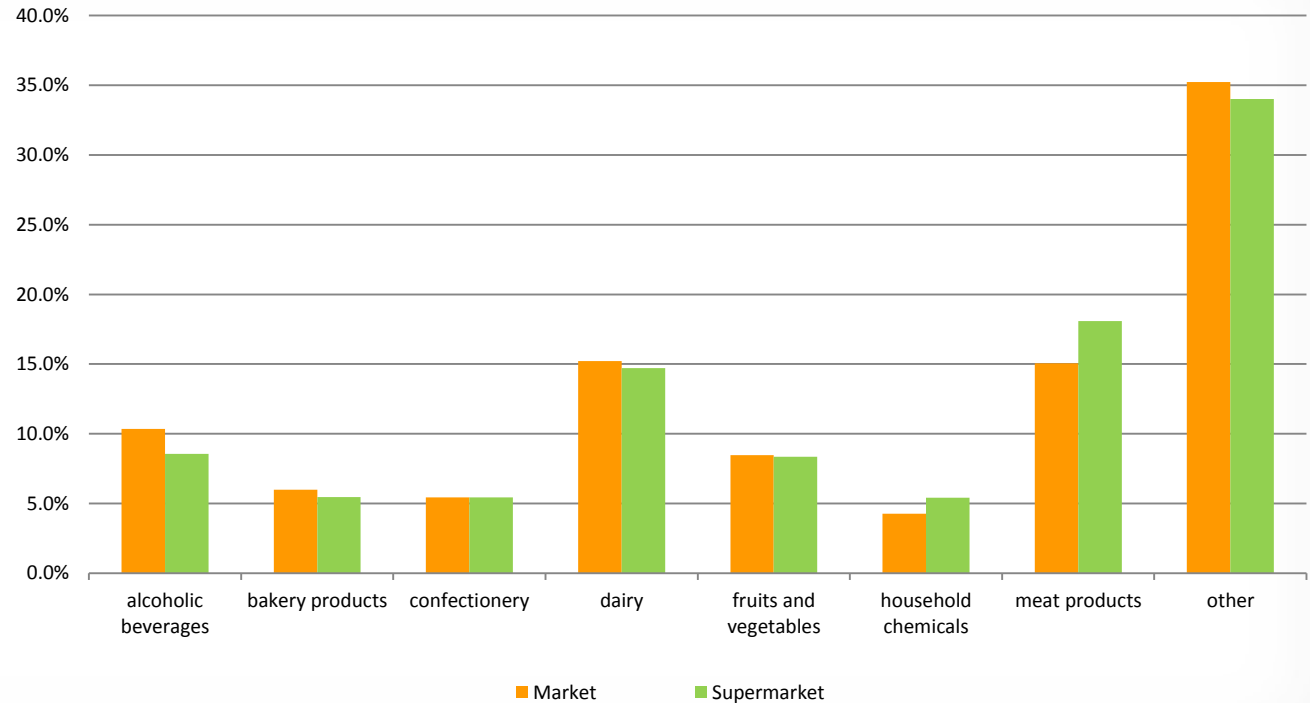
- marketing support unmatched in the country
- completeness of assortment – over 80% of products delivered to retail locations via own logistics network
- retail know-how available to franchisees
- attractive procurement terms



Stokrotka supermarket and market sales structure by assortment category in 2016

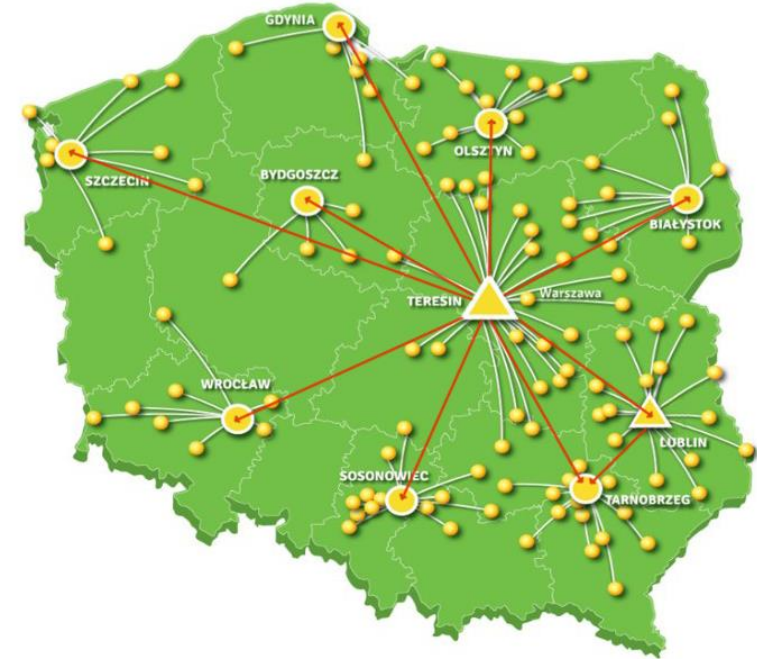
Strategic categories:

- meat products
- fruits and vegetables
- bakery products



* Data based on own calculations.

Retail segment – in-house logistics



distribution centre



regional warehouse

- System consisting of central and regional warehouses
- Advanced IT solutions
- Advanced solutions for fresh produce distribution
- Capacity for effective supply throughout the country
- System prepared for cost-effective expansion



12-10-2017

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Growth drivers

Store chain expansion	Growth in sales per floor metre	Improved logistics performance	Margin expansion
<ul style="list-style-type: none">• organic• M&A	<ul style="list-style-type: none">• assortment management optimisation• price perception improvement• further focus on regional products• stronger client loyalty• additional services	<ul style="list-style-type: none">• higher effectiveness of warehouse processes• reduction in transport costs through a denser store chain	<ul style="list-style-type: none">• improvement in procurement terms• increase of the share of store brands• assortment selection optimisation

Competitive advantages

- wide offering of **fresh and regional products that are important to clients**
- **modern logistics** dedicated to fresh products
- capacity for dynamic organic growth thanks to a multi-format strategy
- **strong, recognisable brand**, particularly in eastern parts of the country
- **proven management team**
- **advanced operational, sales and IT solutions**



Poland's retail market 2013-2017

Quarterly change in sales value y/y

nielsen



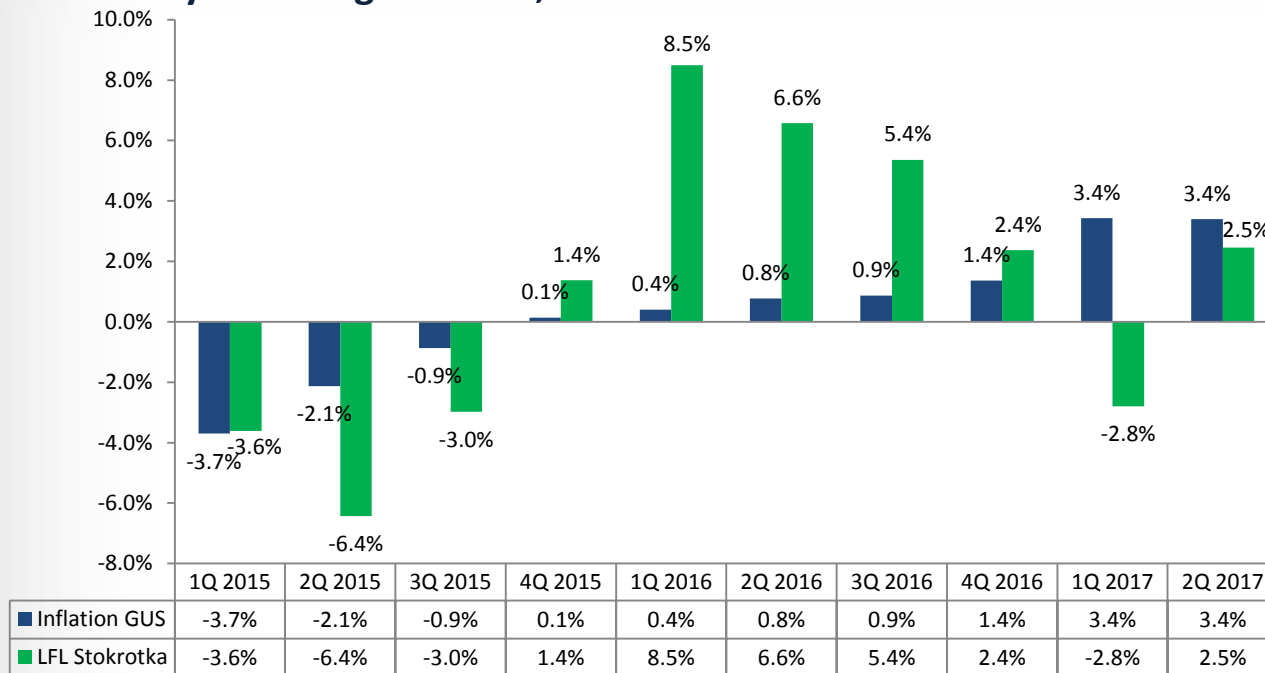
- According to GUS, retail sales in Q2 2017 advanced 8.1% on the previous year.
- According to Nielsen, second-quarter sales at Stokrotka increased by 7.0% from the year before, while the Supermarkets segment saw a 3.9% decline y/y, and the Hypermarkets segment decreased by 1.8%, compared to the previous year.

* Total retail sales, y/y, during 2013-2015, since 2016 sales in the following categories: food, beverages and tobacco products, GUS data

** Nielsen data - overall sales (Hypermarkets: Real, Auchan, Tesco>2500sqm, Carrefour>2500sqm, E. Leclerc>2500sqm, b1, Supermarkets: Carrefour<2500m2, Carrefour Market, Simply Market, E.Leclerc <2500m2, Intermarche, Netto, Polomarket, Mila, Tesco <2500m2)

LFL sales – Stokrotka

Year-on-year change in sales, on same-store basis



LFL compared to 2016 year :

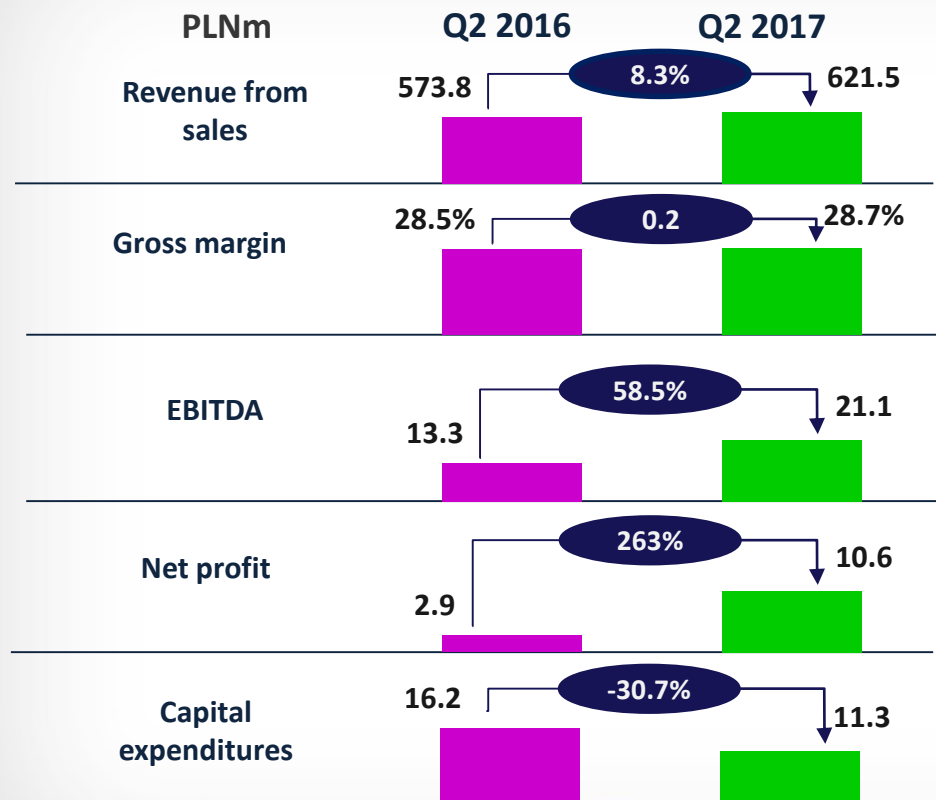
- 2Q: 2.5%
- 1H: -0.1%

LFL compared to 2015 year:

- 2Q: 8.2%
- 1H: 6.3%

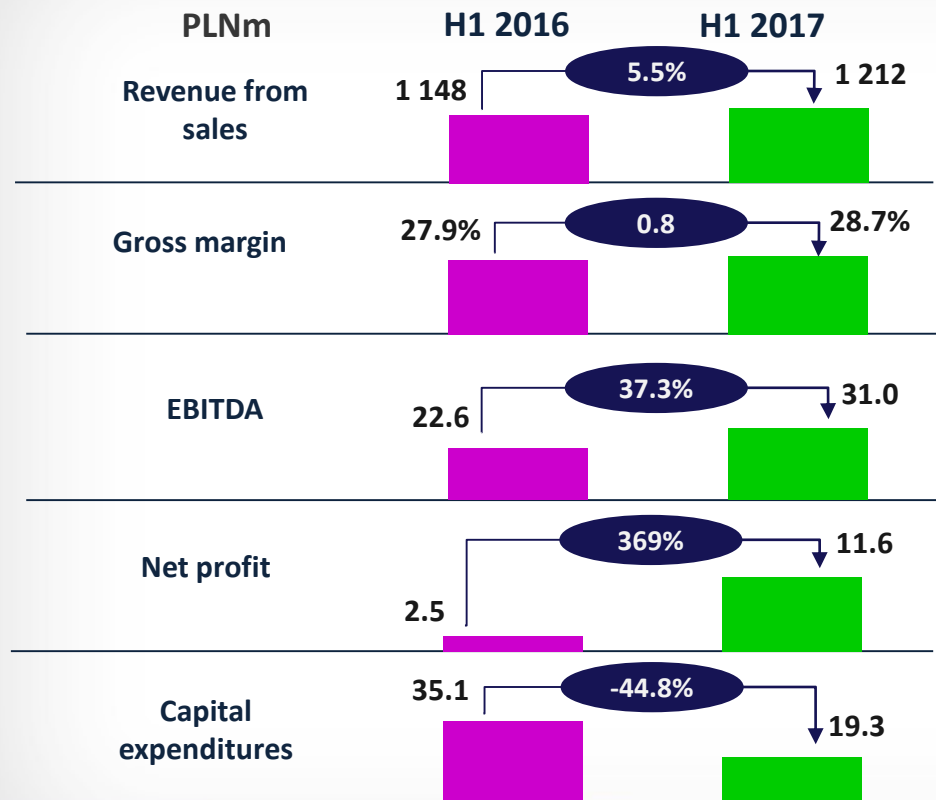
**GUS inflation data for the food and non-alcoholic beverage category*

Retail segment – Q2 2017 financial results



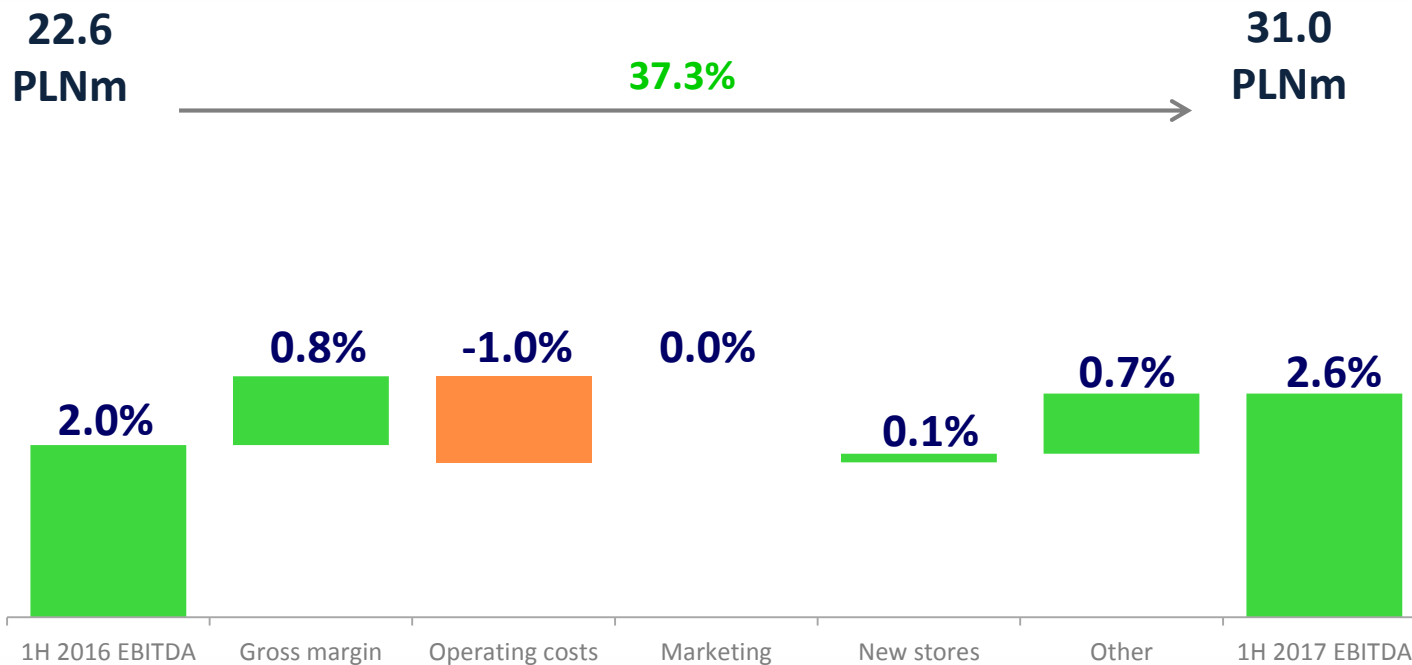
- Impact of holiday shift on results
- LFL sales up by 2.5% (up by 8.2% from 2015 to 2017)
- Significant impact of new stores on sales growth
- Significant EBITDA growth – effect of improvement in gross margins and operating costs
- Release of provision for compensations in Q2 2017: PLN 1.4m (Q2 2016: none)

Retail segment – H1 2017 financial results



- Sales growth coming from new stores
- LFL sales down by 0.1% (high base effect from 2016)
- LFL sales up by 6.3% from 2015 to 2017
- EBITDA margin growth by 0.6pp to 2.56%
- Approx. 5% growth in personnel costs at stores in H1 2017, compared to H1 2016, with over 8% growth in minimum wage
- Financing from the State Fund for the Rehabilitation of the Disabled (PFRON) concerning previous periods in H1 2017: PLN 2.3m, H1 2016: none
- Release of provision for compensations in H1 2017: PLN 1.4m, H1 2016: none

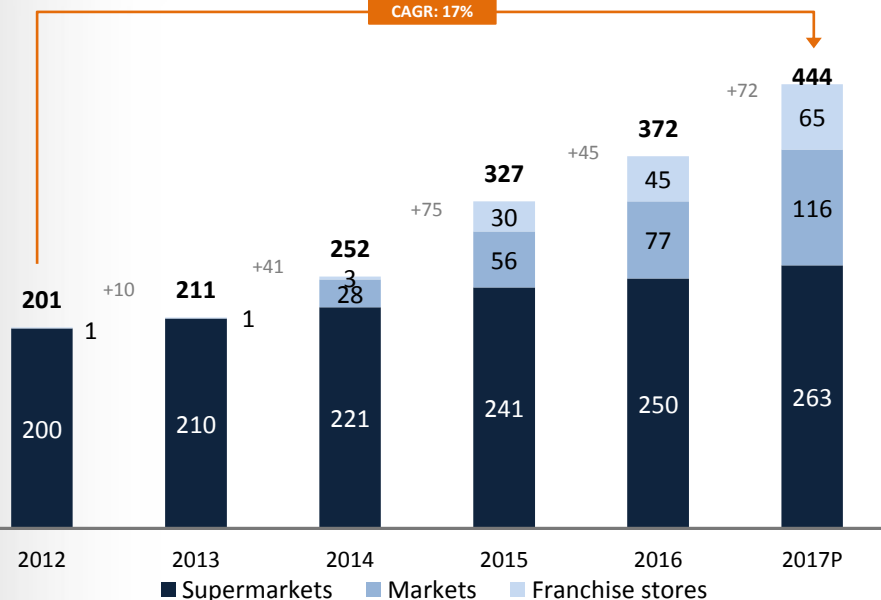
EBITDA breakdown



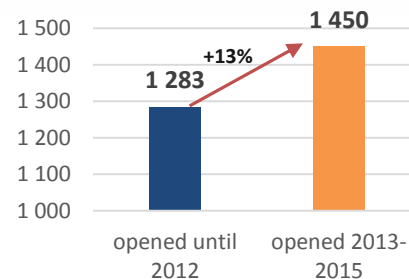
Stokrotka – chain expansion

Chain development by format 2012-2017P

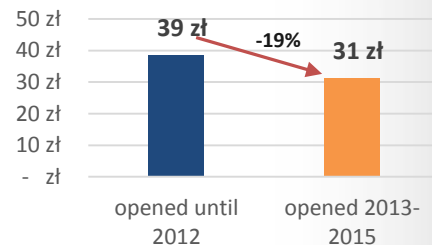
CAGR: 17%



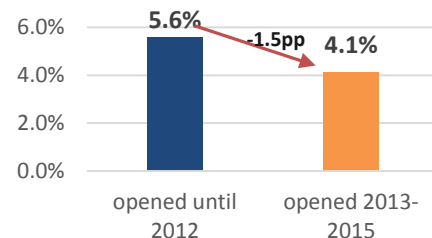
Average sales per sqm**/**



Cost of rent per sqm**



Cost of rent / % of sales/ **



* Values are inclusive of VAT

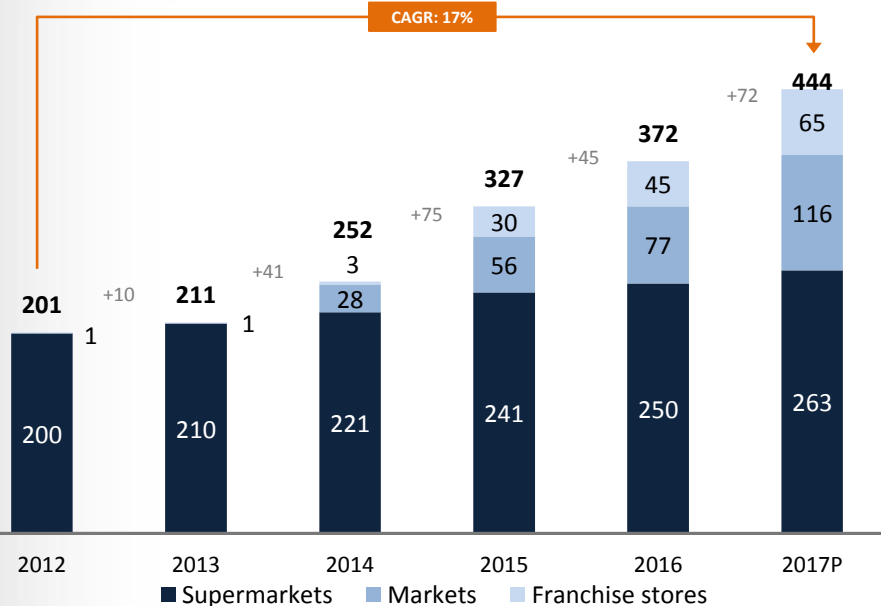
Average sales per sqm is PLN 1 152 for stores opened until 2012 and PLN 1 300 for stores opened in 2013-2015

** Value for the past 12 months

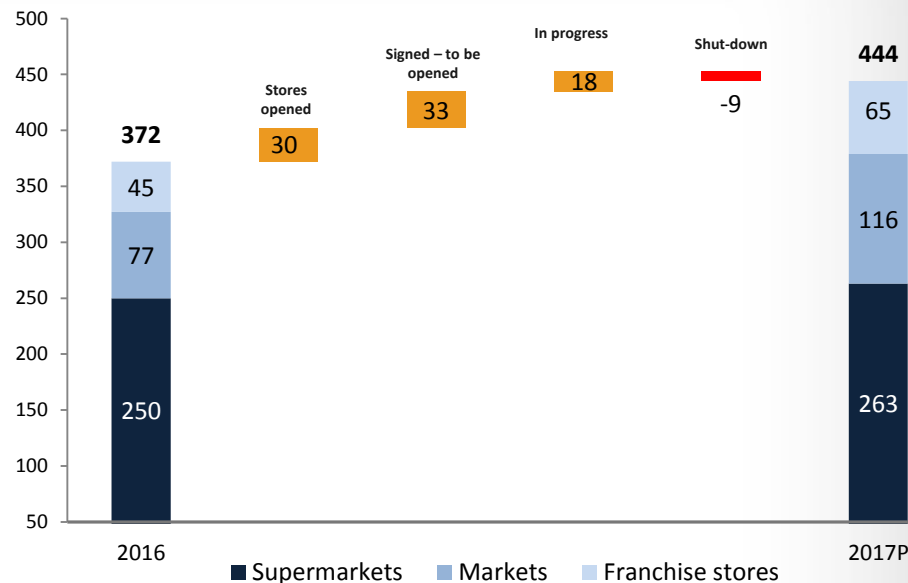
Stokrotka – chain expansion

Chain development by format 2012-2017P

CAGR: 17%

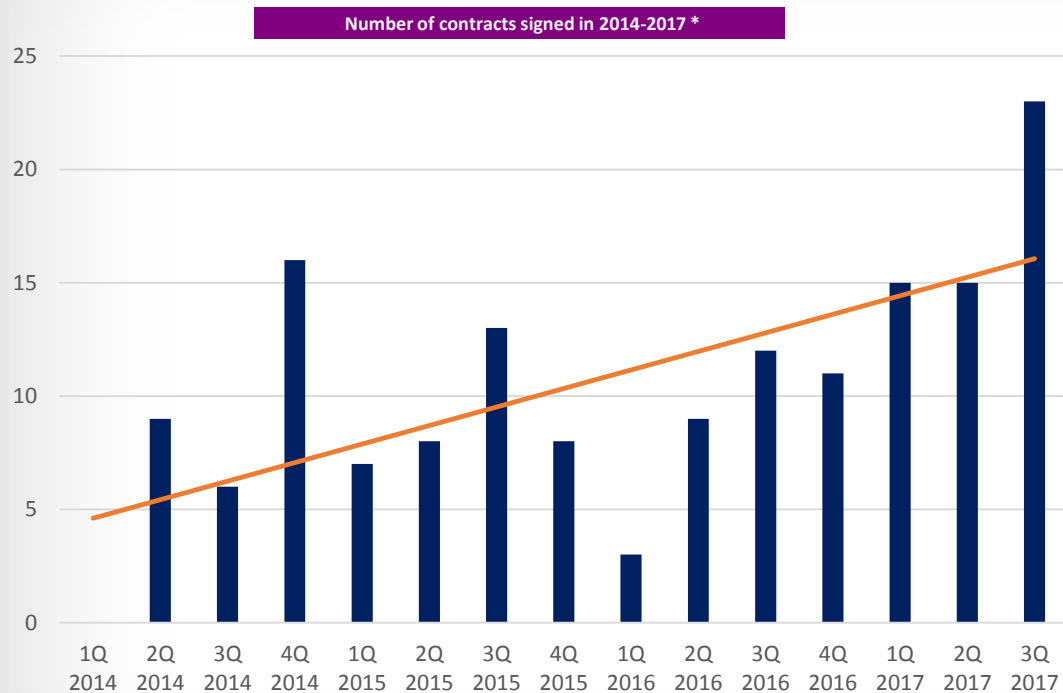


Chain development 2016-2017 *

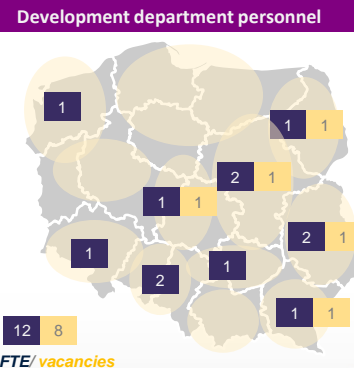
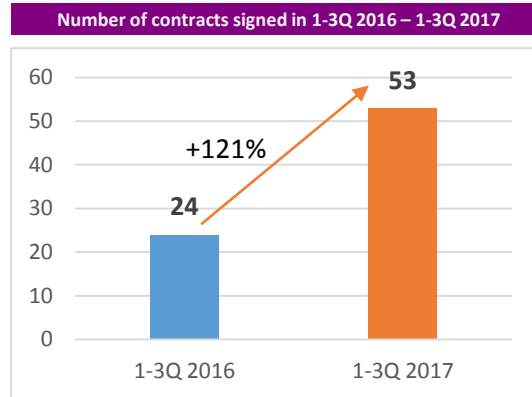


* as at 28 August 2017

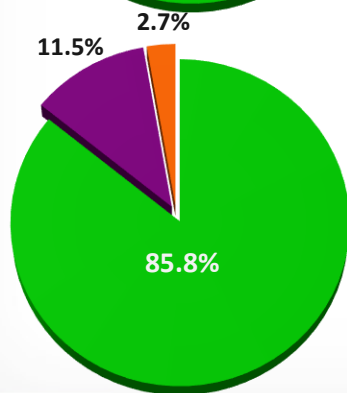
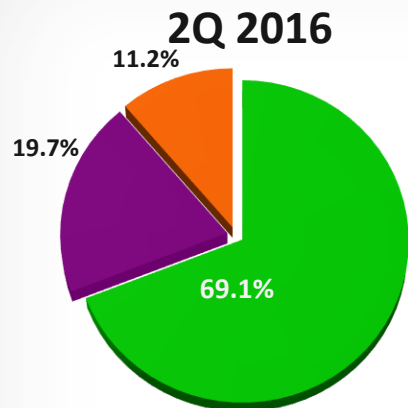
Stokrotka – chain expansion



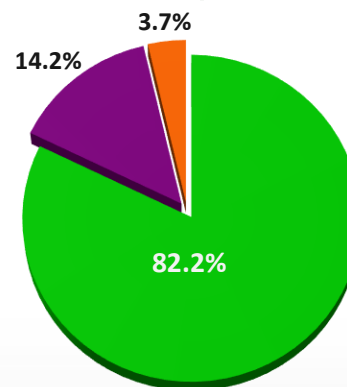
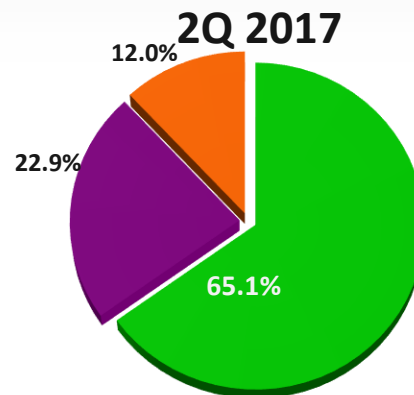
* as at 30th September 2017



Retail segment – structure by format in Q2



Number of stores

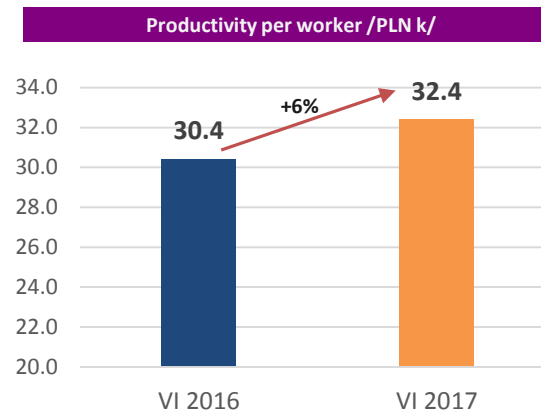


Sales value

Stokrotka – store profitability*

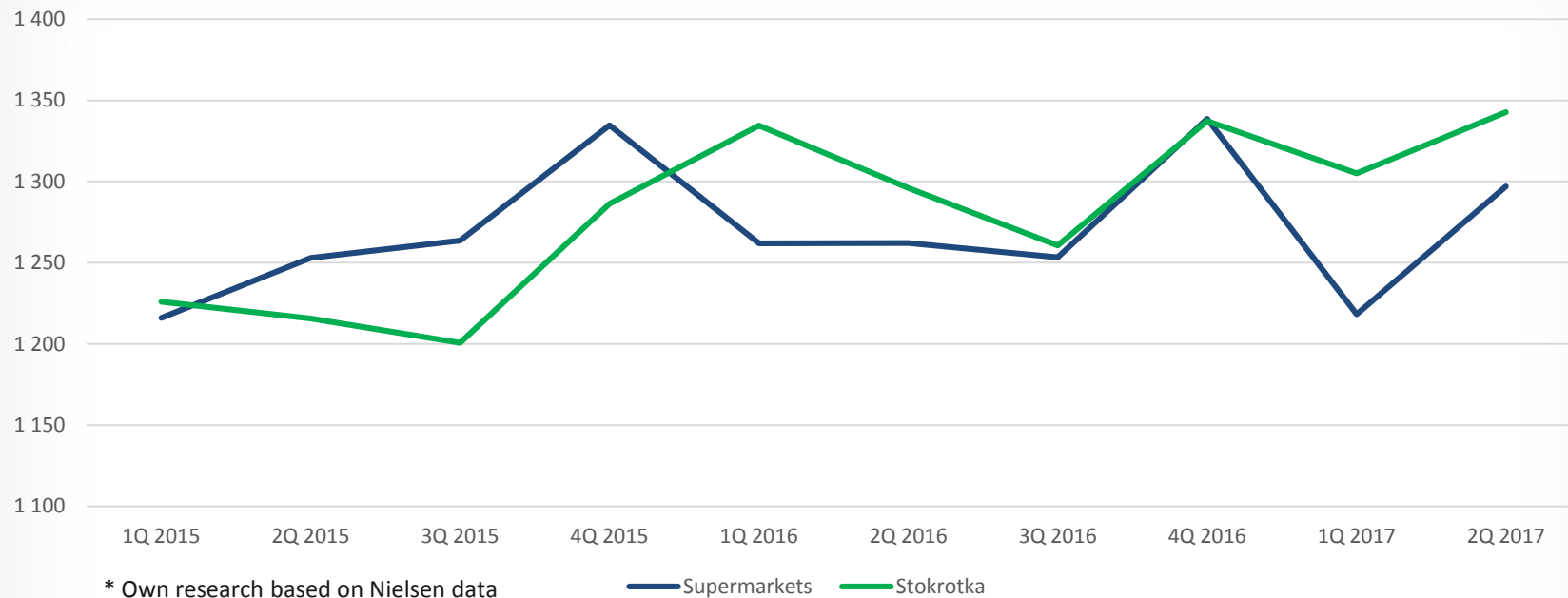
	1-2Q 2016	1-2Q 2017
Revenue from product sales	1 066.2	1 056.1
Store operating costs	238.7	245.2
<i>Operating costs as % of revenue</i>	22.4%	23.2%
EBITDA	58.9	61.2
% EBITDA	5.5%	5.8%

/mln PLN/

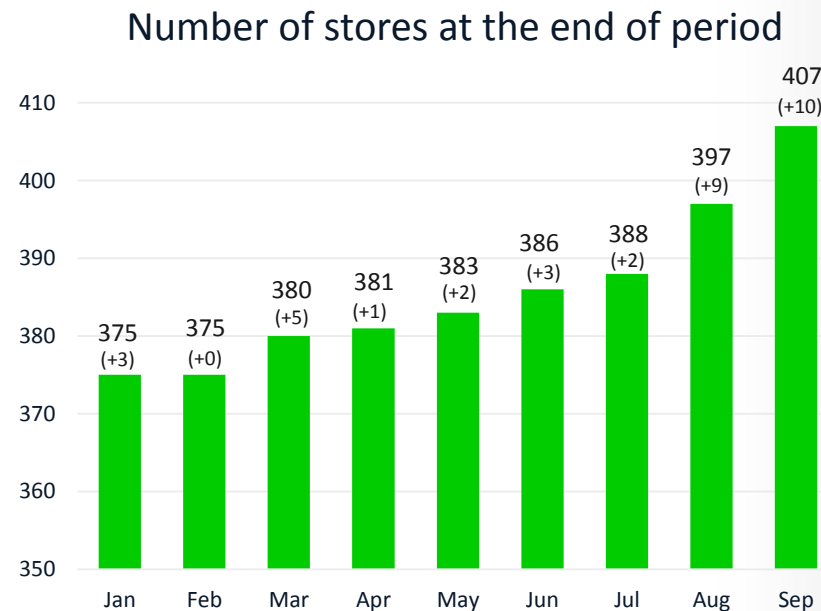
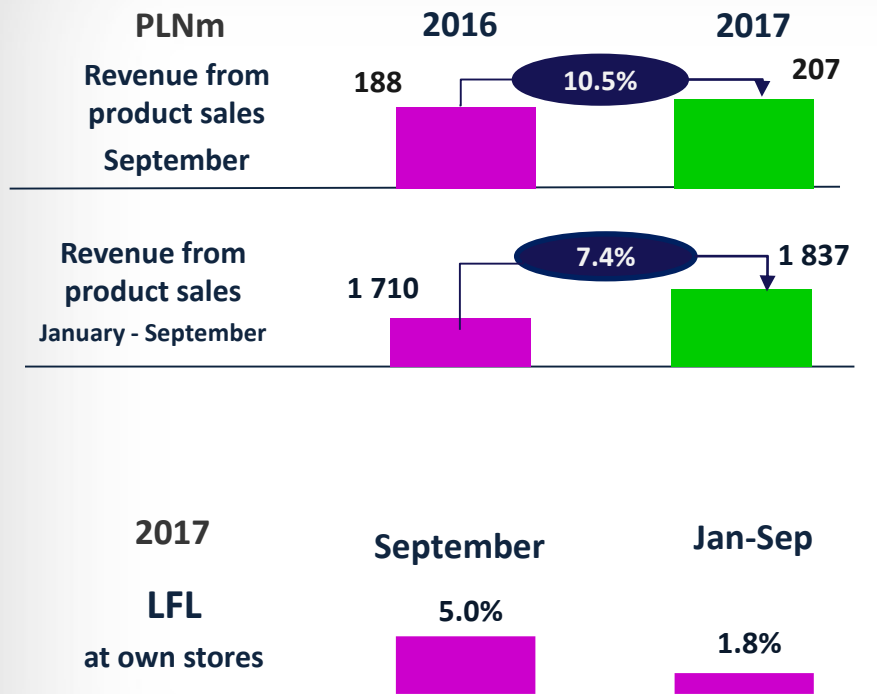


* 289 Stokrotka stores operating at the end of 2015

Average monthly sales per sqm (in PLN)



Retail segment – preliminary sales results



Property segment

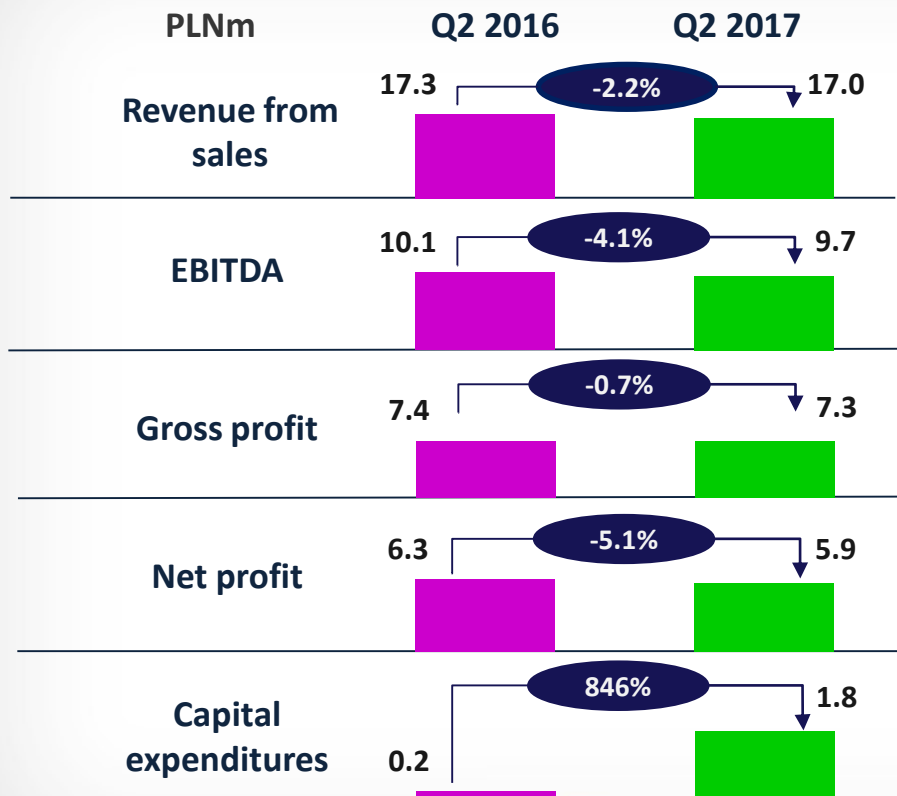
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Property segment

The **property segment** manages a portfolio of properties, invests in facilities for retail operations. The segment manages a property portfolio, acquires new locations and conducts property development activities. In line with the investment strategy, it focuses on facilities in the form of mini galleries or shopping parks. The property segment is managed by Elpro Development S.A.

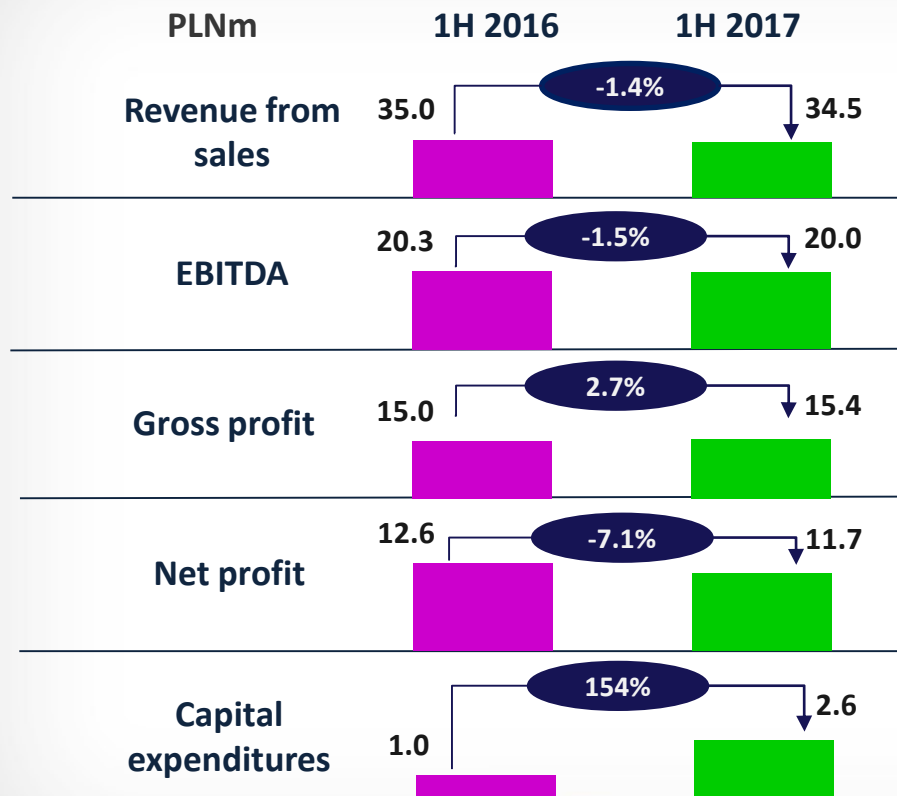


Property segment – Q2 2017 financial results



- Stable rate of return on investment and portfolio profitability
- CIT in Q2 2017 higher by PLN 0.3m than in Q2 2016

Property segment – H1 2017 financial results



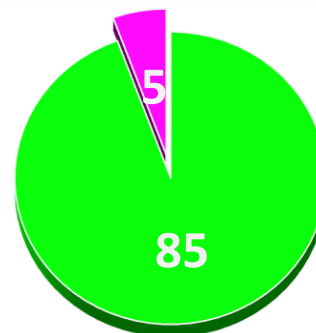
- CIT in H1 2017 higher by PLN 1.3m than in H1 2016

Property segment

Change in number of properties

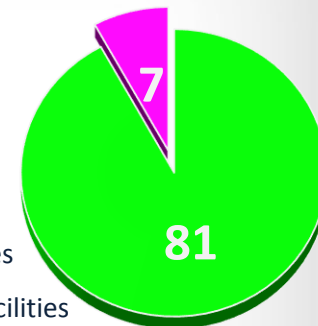


2Q 2016

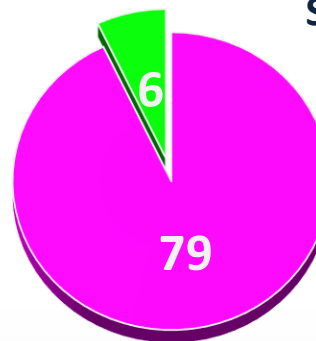


Type of property

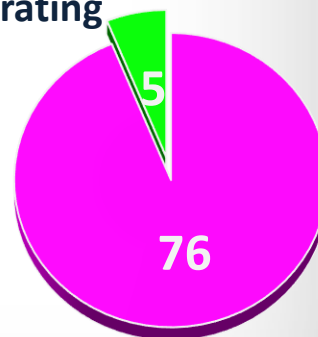
2Q 2017



Structure of operating properties

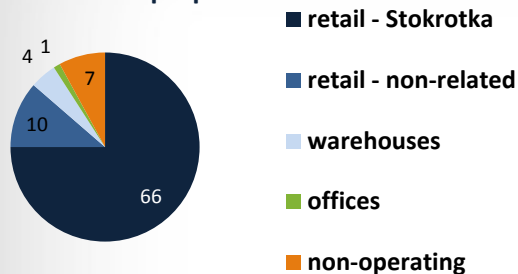


Retail sites
Other

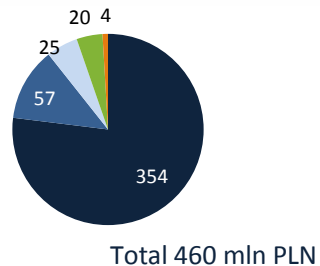


Property segment

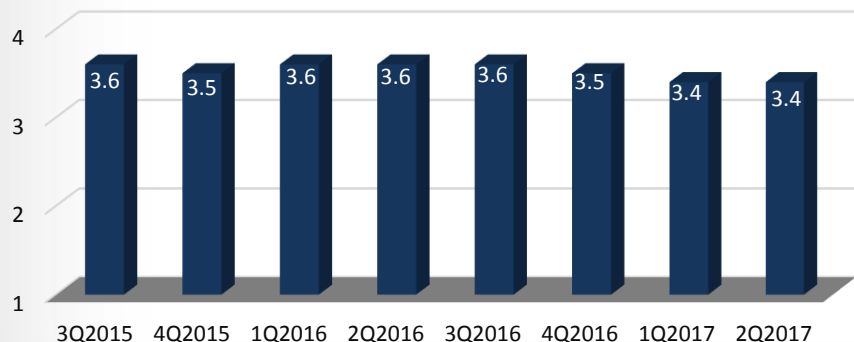
Number of properties



Estimated market value

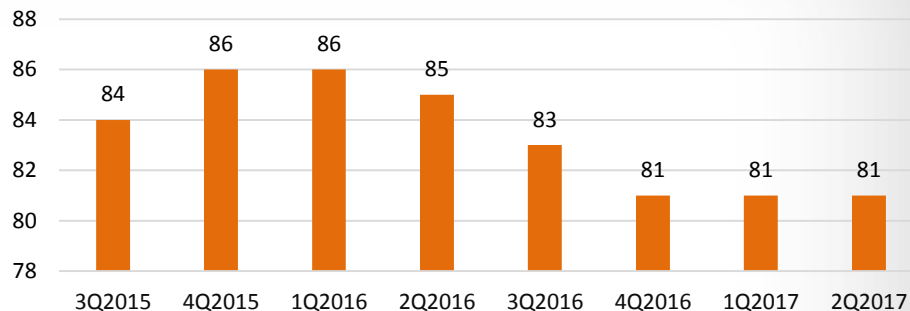


Average monthly NOI* - operating facilities

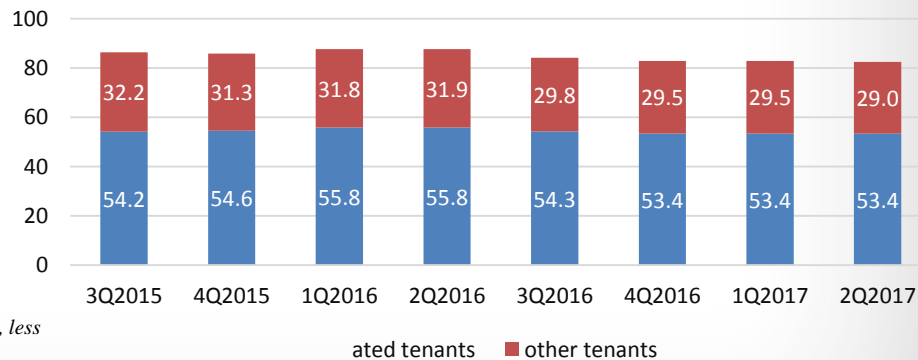


* NOI (net operating income) for a property is the difference between operating revenue and operating costs, less depreciation; in PLNm.

Number of operating facilities



Lease area (in 000 sqm)



ated tenants ■ other tenants

IT segment

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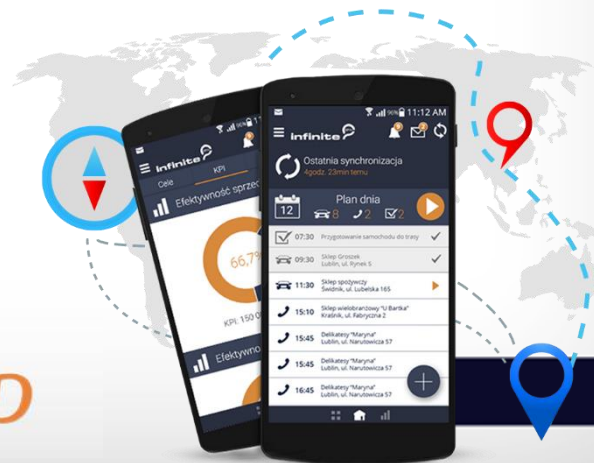
IT segment



Infinite Sp. z o.o. is a provided of specialised IT solutions for business, with 15 years of market experience. At the core of the systems developed by Infinite lies automation of key business processes, such as electronic data exchange, e-archiving, management of incoming and outgoing mail, mobile salesforce management.

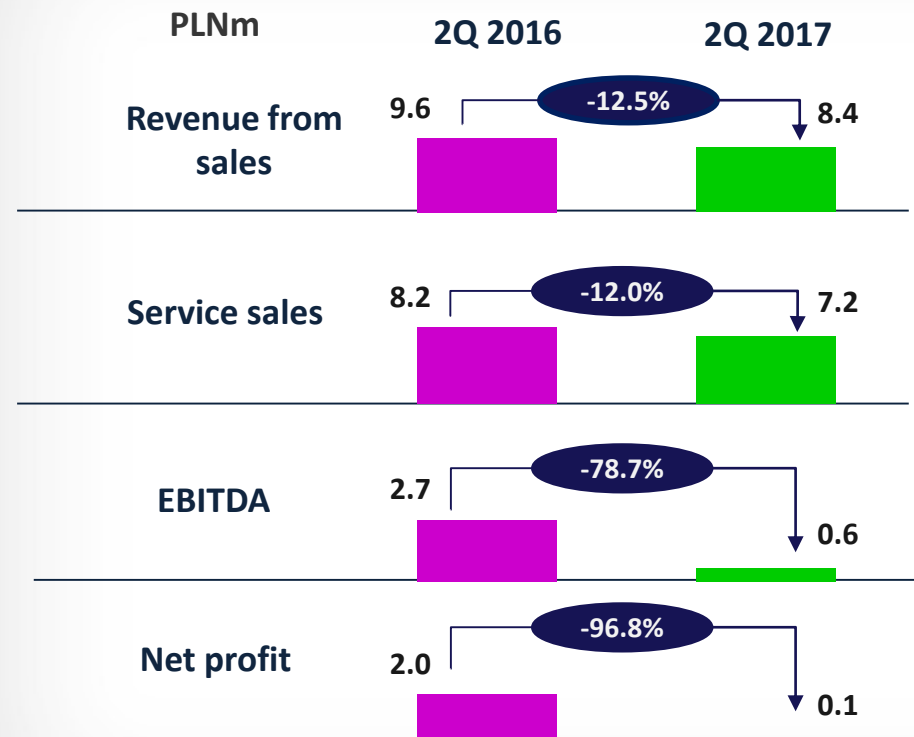
Infinite's wide range of services is used by over **5 000 businesses** in **Europe** as well as **Middle East and North Africa**. Infinite's clients include both small and medium businesses as well as large international companies of various industries: FMCG, automotive, heavy industry, logistics, DIY, ICT, banking and finance. Infinite employs nearly 200 people.

The company's **dynamic development** is driven by a consistently implemented **strategy** and strong **customer focus**.



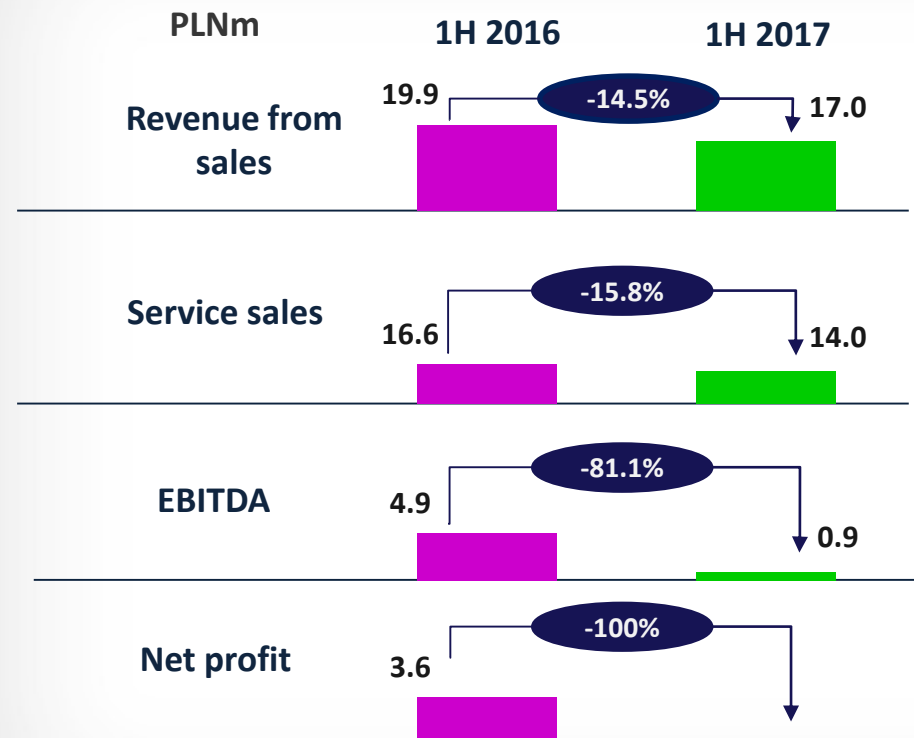
Emperia Group

IT segment – Q2 2017 financial results



- Existing product development
- LFL sales to external clients reached PLN 4.8m in Q2 2017 vs PLN 3.9m in Q2 2016 (up by 23.1%)
- Sale of services to Group companies in Q2 2017: PLN 2.4m, Q2 2016: PLN 2.3m
- Development expenditures in Q2 2017: PLN 1.6m, Q2 2016: PLN 1.3m

IT segment – H1 2017 financial results



- Existing product development
- LFL sales to external clients reached PLN 9.3m in H1 2017 vs PLN 8.1m in H1 2016 (up by 14.8%)
- Sale of services to Group companies in H1 2017: PLN 4.7m, H1 2016: PLN 4.5m
- Development expenditures in H1 2017: PLN 3.1m, H1 2016: PLN 2.5m

Corporate governance

Emperia Group

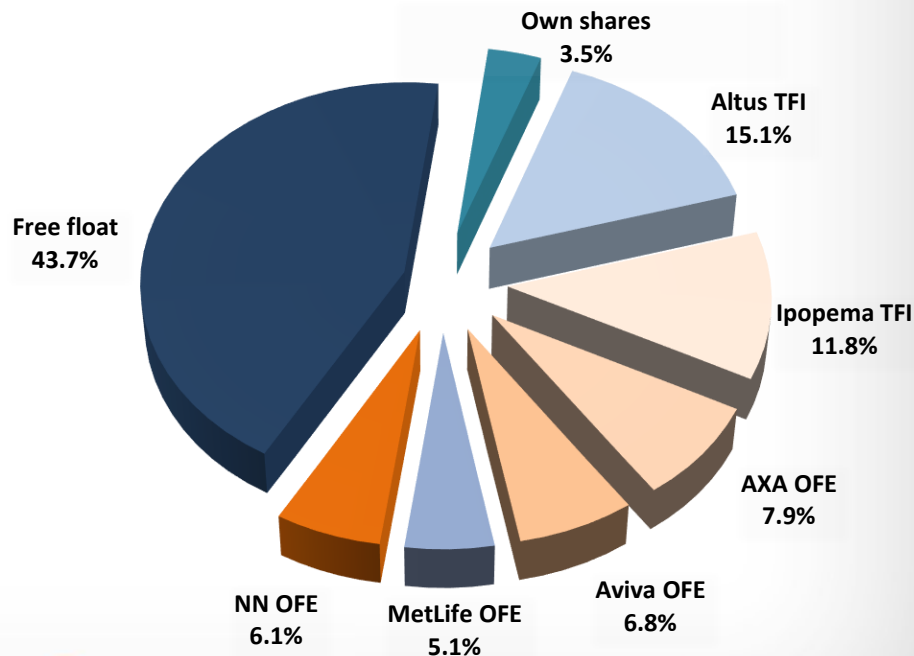
Corporate governance in 2016

The shareholding structure is dominated by domestic financial institutions that know the market and understand the Company's business model

Number of registered shares: 12 342 027

Number of shares publicly traded: 11 913 790

Shareholding structure
(as per the Company's latest data)



Search for investor

- August 2016: start of strategic options review
- 9 May 2017: decision on selection of specific option – search for an investor
- The aim is to bring in an investor to support further dynamic growth
- The selected investor would be interested in acquiring all of the Company's shares on equal terms
- Due diligence process is on-going
- Rothschild Global Advisory is exclusive adviser in the process

Thank you for your attention

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