

Emperia
Grupa Kapitałowa

Q4 2014

Significant events in Q4 2014

- Deflation in food prices, according to data from GUS: 2.6% y/y
- Strong pricing competition in retail
- Completed Stokrotka's rebranding process
- Launched 8 new stores
- Impact of changes in fresh product supply to stores on product losses
- Spent PLN 20.6m on buy-back programme

Emperia Group – operating structure

Retail

Stokrotka

Supermarkets

Property development

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

**Property management
and development**

IT business

Infinite

**B2B communications
ERP systems for retail**

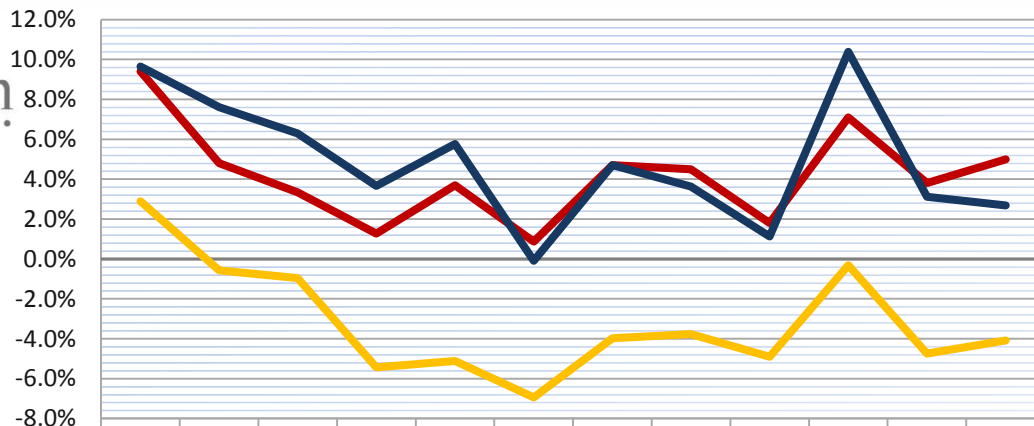
Retail

Grupa Kapitałowa Emperia

Poland's retail market 2012-2014

Quarterly change in sales value y/y

nielsen



- According to GUS, retail sales in Q4 2014 advanced 5.0% on the previous year.
- According to Nielsen, fourth-quarter sales in the Supermarkets segment grew by 2.7% from the year before, while the Hipermarkets segment saw a 4.1% y/y decline.

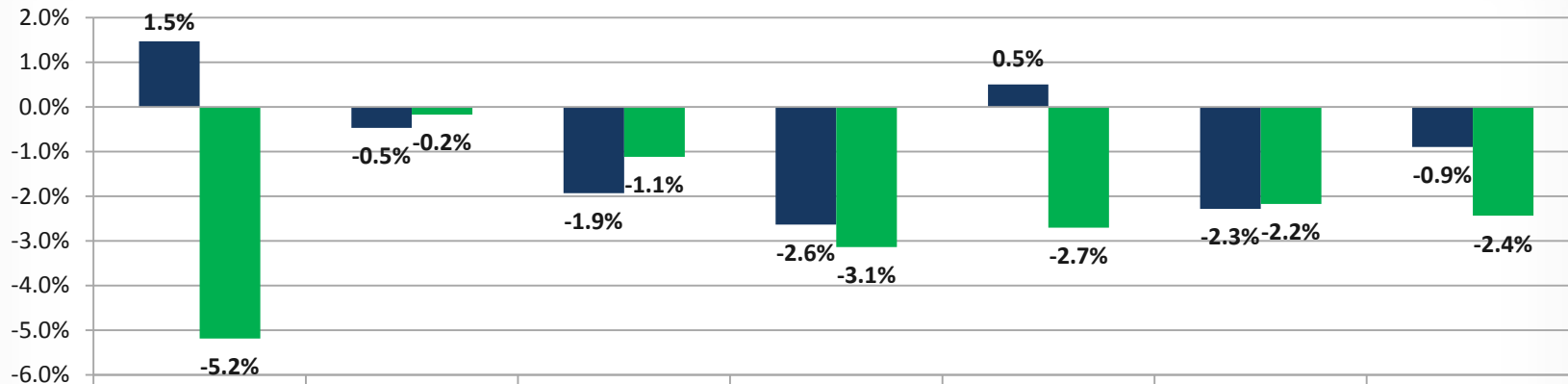
	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
— Retail sales*	9.4%	4.8%	3.3%	1.3%	3.7%	0.9%	4.7%	4.5%	1.8%	7.1%	3.8%	5.0%
— Supermarkets**	9.6%	7.6%	6.3%	3.7%	5.8%	-0.1%	4.7%	3.6%	1.1%	10.4%	3.1%	2.7%
— Hipermarkets**	2.9%	-0.6%	-1.0%	-5.4%	-5.1%	-6.9%	-4.0%	-3.8%	-4.9%	-0.3%	-4.7%	-4.1%

* 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, Intermarc, Netto, Polomarket, Stokrotka, Tesco <2500sqm)

LFL sales – Stokrotka

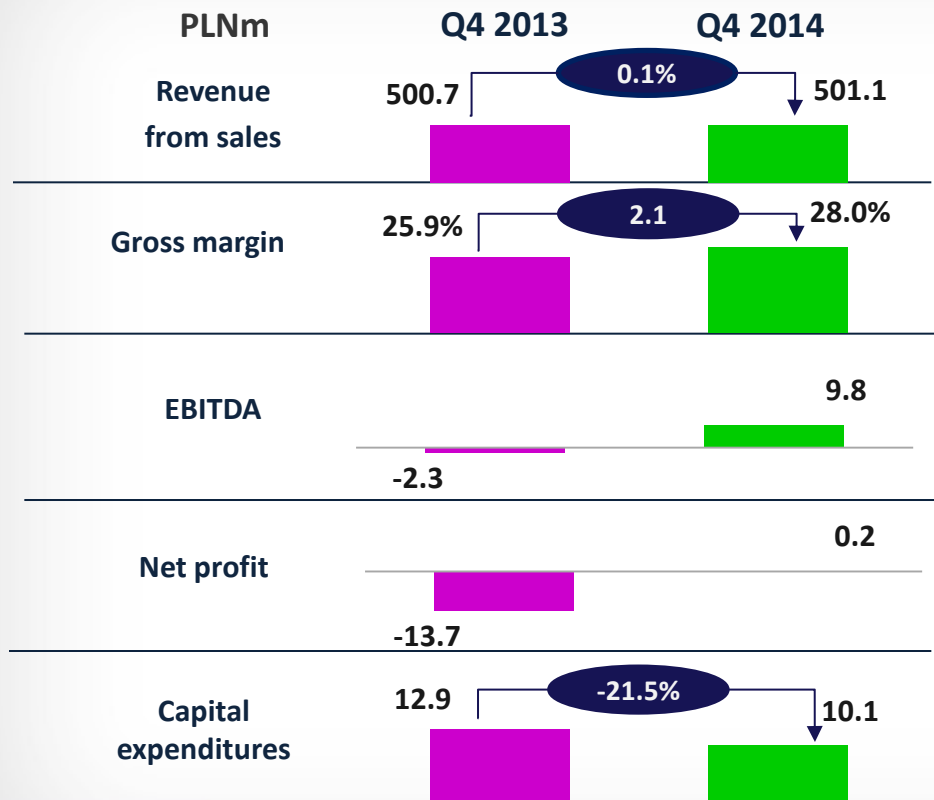
Year-on-year change in sales, on same-store basis



	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1H 2014	2H 2014	1-4Q 2014
■ Inflation GUS	1.5%	-0.5%	-1.9%	-2.6%	0.5%	-2.3%	-0.9%
■ LFL Stokrotka	-5.2%	-0.2%	-1.1%	-3.1%	-2.7%	-2.2%	-2.4%

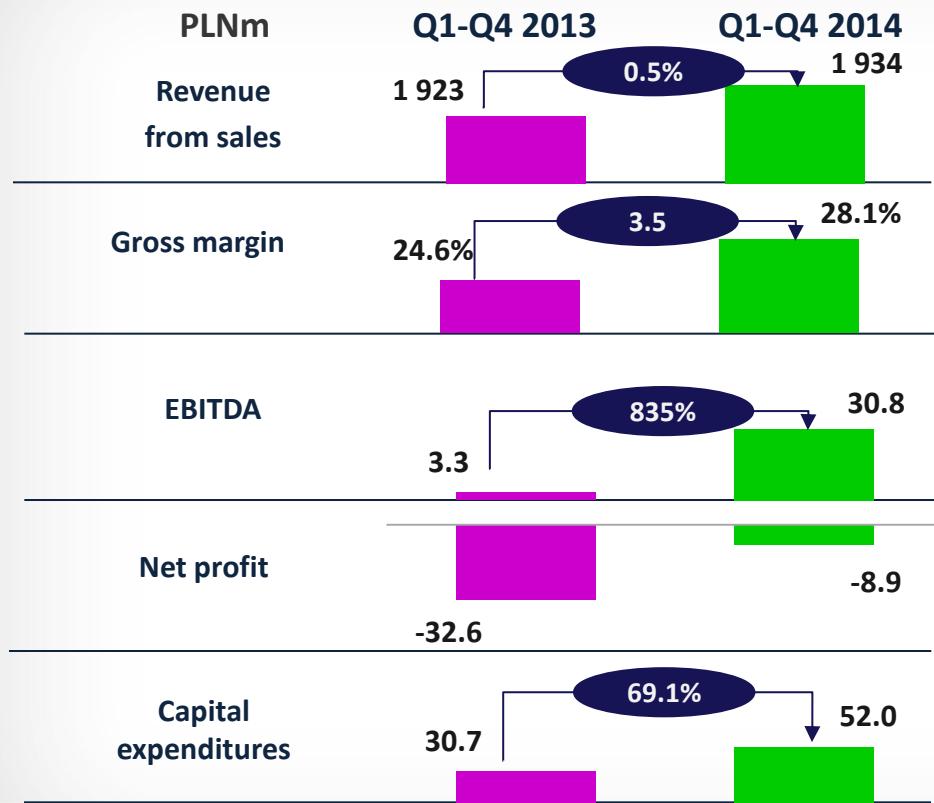
- GUS inflation data for the food and non-alcoholic beverage category

Retail – Q4 2014 results



- Increase in gross sales margin: 2.1pp
- Achieved target margin levels
- Significant one-off items in Q4 2014:
 - PLN 0.8m provision for renovations
 - Additional costs connected with retail company merger: PLN 1m

Retail – Q1-Q4 2014 results



- Increase in gross sales margin: 3.5pp
- Results are incomparable y/y due to having launched the logistics project in 2013
- Estimated transaction costs connected with retail company merger: PLN 2m
- Operating gain on one-off transactions connected with Delima stores: PLN 3.4m
- Cost of franchise and market development: PLN 2.9m
- Estimated cost of remodelling, rebranding and new floorplans: PLN 5m
- PLN 0.8m provision for renovations

Retail – capital expenditures

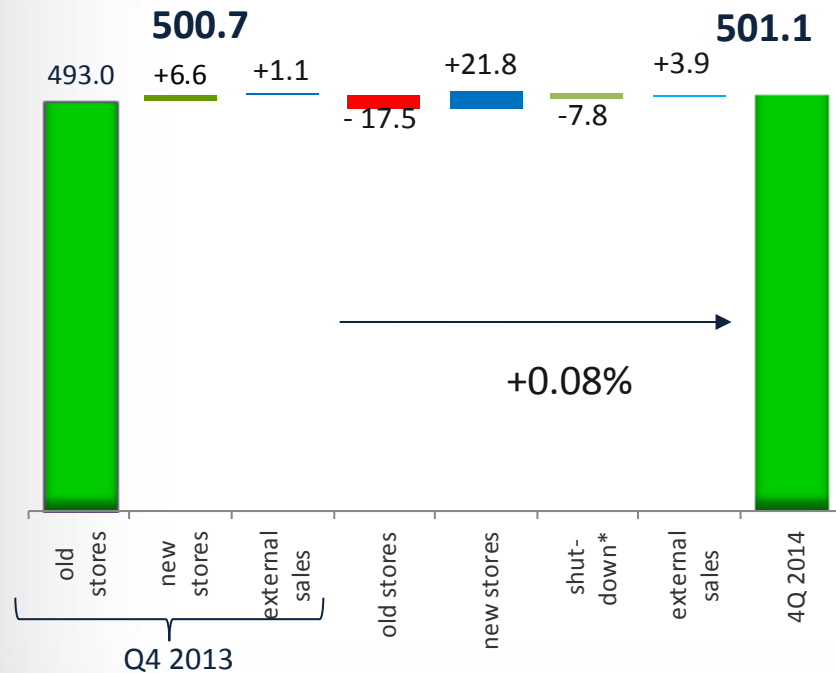
Capital expenditures in Q4 2014

Upgrade of leased facilities	1.6
Refrigeration and freezing equipment	3.4
IT equipment	1.1
Means of transport	0.1
Store fittings	3.6
In-store systems	0.3
TOTAL	10.1

- Expenditure on remodelling and rebranding: PLN 2.1m

Retail – sales drivers in Q4 2014

Change, in PLNm



older sites - stores open as of the end of Q3 2013, newer sites - opened since Q4 2013

- Negative impact of deflation on sales
- Higher relevance of new sites
- Commencement of sales to franchise stores

*shut down (Q4 2013 - Q4 2014): 1 Delima, 4 Stokrotka, 1 Stokrotka transferred to franchise, 7 stores (with sales floor of approx. 100sqm) acquired as a result of the merger of retail companies in Q1 2014

Retail – Stokrotka

Number of stores

Number of stores at the end of Q3 2014	246
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Stores opened in Q4 2014	8
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Stores closed in Q4 2014	2
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Number of stores at the end of Q4 2014	252
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Average monthly sales per sqm (in PLN)

	Q4 2013	Q4 2014	change
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Supermarkets	1 383	1 347	-2.6%
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Stokrotka	1 288	1 261	-2.1%
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- 4 supermarkets, 3 markets and 1 franchise store opened
- 1 market and 1 franchise store closed
- Total floor area of stores opened in Q4 2014 was 4 696 sqm
- CAPEX per new own store: PLN 0.85m

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

- amounts inclusive of VAT

Retail – development of the chain

	2014	2015
Own supermarkets	7	15-20 (14 agreements already executed)
Own markets	6	30-50 (16 agreements already executed)
Franchise stores	3	50-70
Total new stores	16	95-140

- Stringent requirements in terms of location performance
- Opening supermarkets mainly in new facilities (agreements already executed in the majority of cases)
- Strong growth potential for markets in new and existing facilities
- Anticipated ramp-up of franchise store openings from Q2 2015

Retail – Stokrotka

Stores by format

	Number of stores	Revenue from sales*
own supermarkets	221	472.2
own markets	28	23.4
sales to franchise stores	3	2.2
stores shut-down	2	0.5

* / in PLNm /

Remodeling, change of floorplan and rebranding

Number of stores

	Q4 2014	Total
remodeling	3	16
floorplan	6	32
rebranding	86	219

Estimated expenditure in 2014 /PLNm/

	CAPEX	Costs
remodeling	12.0	3.1*
floorplan	1.8	0.5
rebranding	2.0	1.5

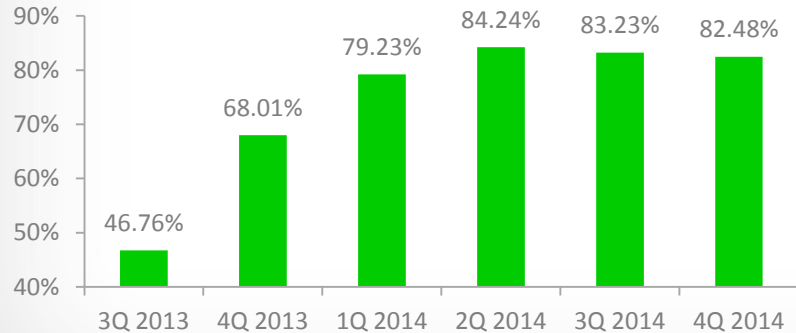
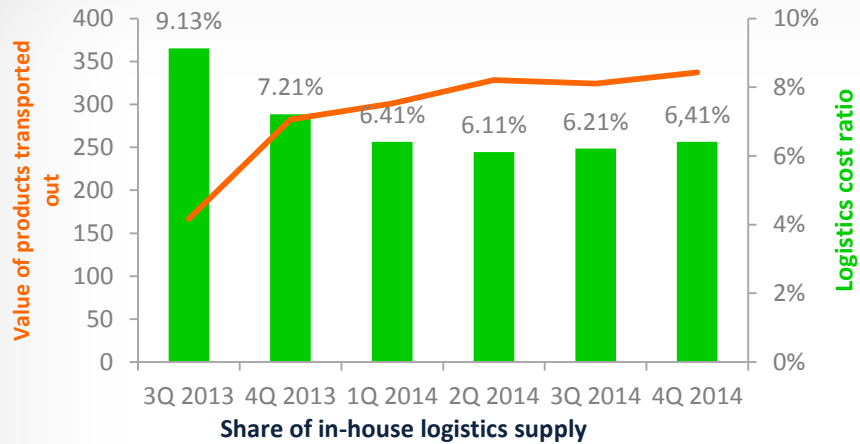
* including PLN 1.6m in lost margin

Retail – working capital turnover

	Q4 2013	Q3 2014	Q4 2014
Inventory turnover	41.7	46.9	41.9
Receivables turnover	5.6	5.8	4.2
Payables turnover	65.5	61.1	62.9
Cash conversion cycle	-18.2	-8.4	-16.8

Turnover ratios presented in days

Retail – in-house logistics



- The logistics ratio in Q4 2014 does not take into consideration a provision for renovations and additional costs of merging retail companies
- The cost of annual physical inventory resulted in a 0.26pp increase in the logistics cost ratio

Near-term performance drivers:

- Transport system optimisation (central hub-regional warehouses)
- Q4 2015 launch of a distribution centre in Lublin, with an area of approx. 6000 sqm.
- Improved productivity at the Teresin central hub
- Overhead costs allocated to a higher revenue base

Stokrotka – store profitability*

	I-IX 2013	I-IX 2014	I-XII 2013	I-XII 2014
Revenue from product sales	1 225.9	1 191.3	1 650.1	1 599.4
Store operating costs	272.2	275.7	365.7	367.5
<i>Operating costs as % of revenue</i>	22.2%	23.1%	22.2%	23.0%
EBITDA	52.8	60.1	71.1	82.0
<i>% EBITDA</i>	4.3%	5.0%	4.3%	5.1%

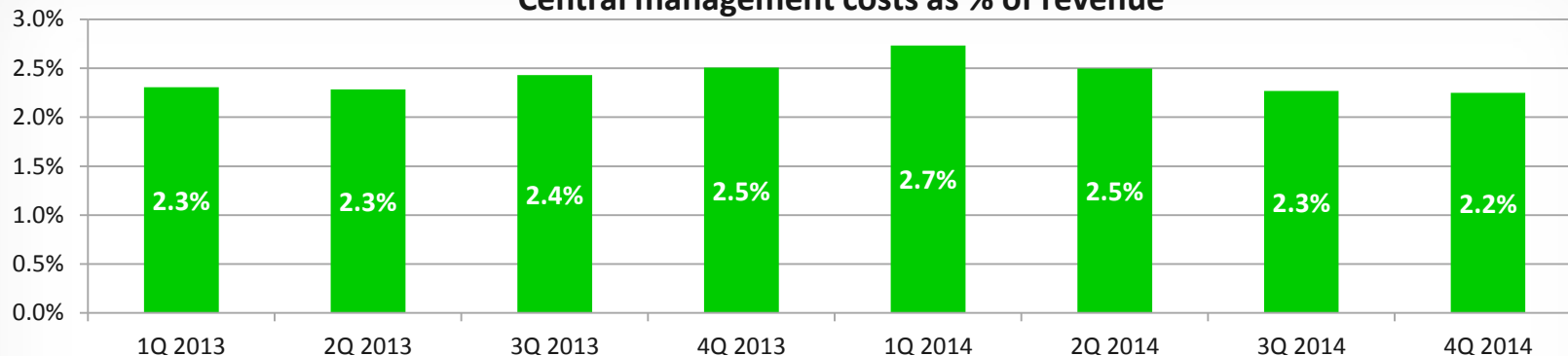
* 194 Stokrotka stores operating at the end of 2012

** Logistics costs adjusted for non-effectiveness in Q4 2013

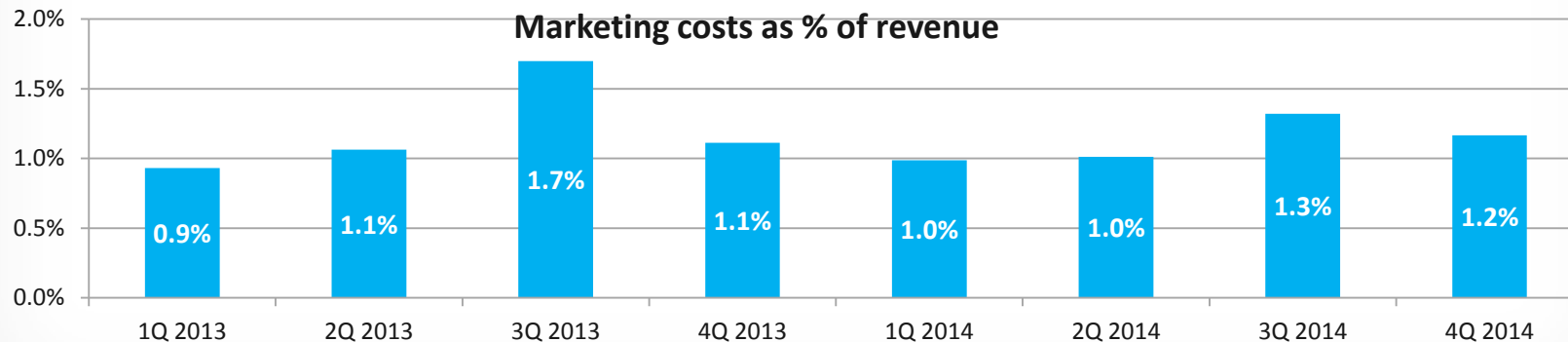
/PLNm/

Retail – central office

Central management costs as % of revenue



Marketing costs as % of revenue



* 2013 data includes the acquired Maro Markety and Społem Tychy

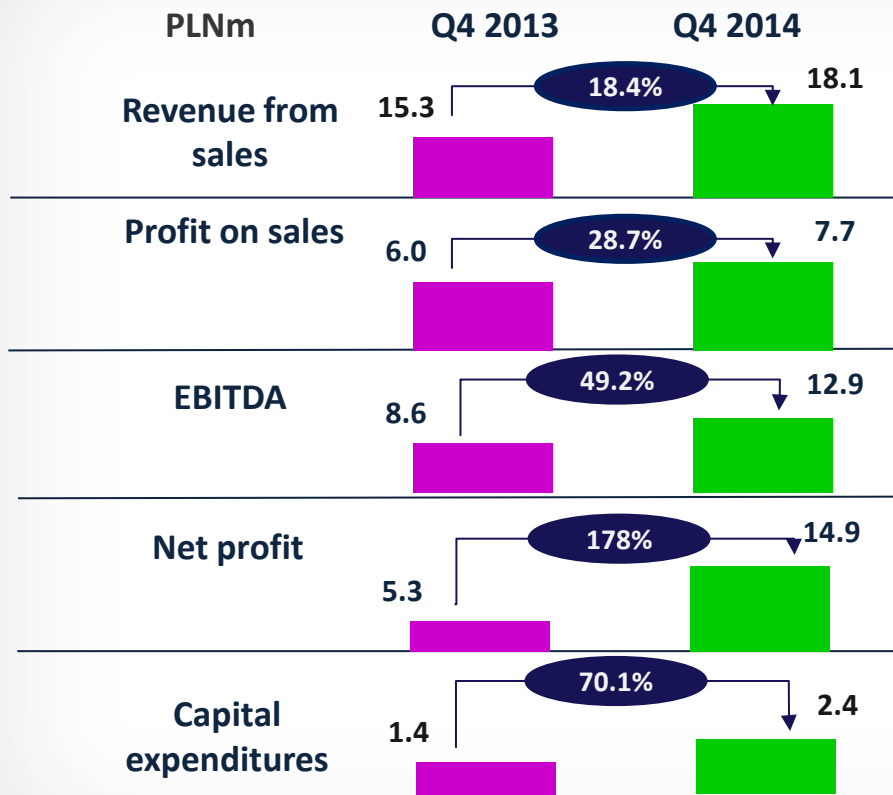
Retail - on-going activities

- Higher productivity of logistics personnel
 - Change of store supply algorithms
 - Limitation and automation of store administrative functions
 - Introduction of flexible work time
- Improvement in trade terms
- Testing new pricing scenarios
- Continued improvements in the logistics cost ratio
- Reducing losses and improving availability in the "fresh" category
- Optimisation of inventory levels
- Increase of share and profitability of own brands

Property development

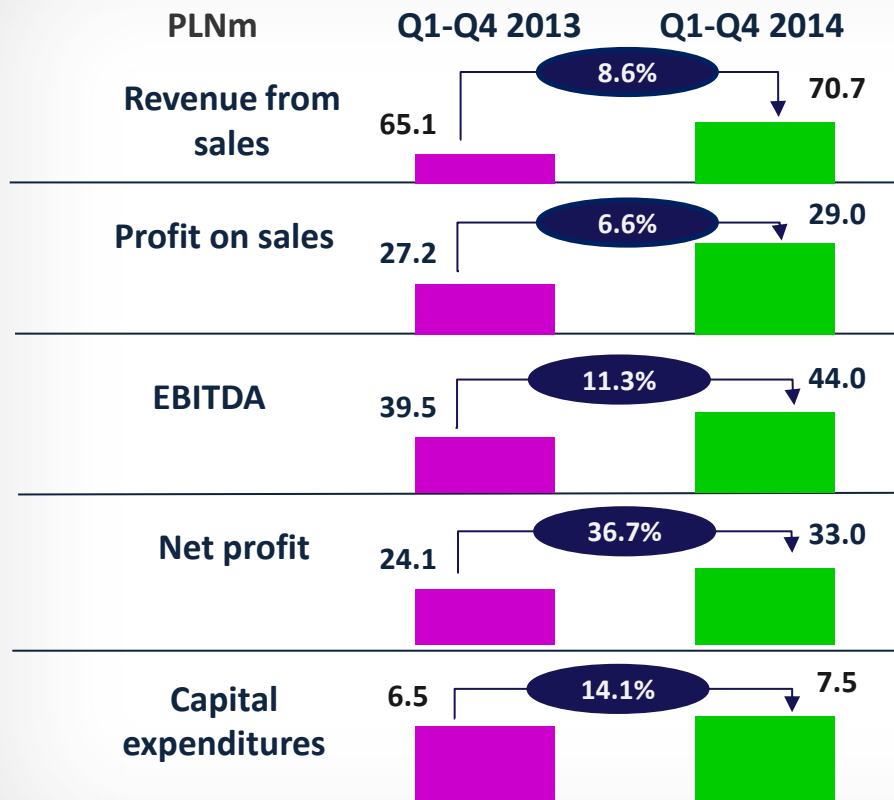
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Property development – Q4 2014 results



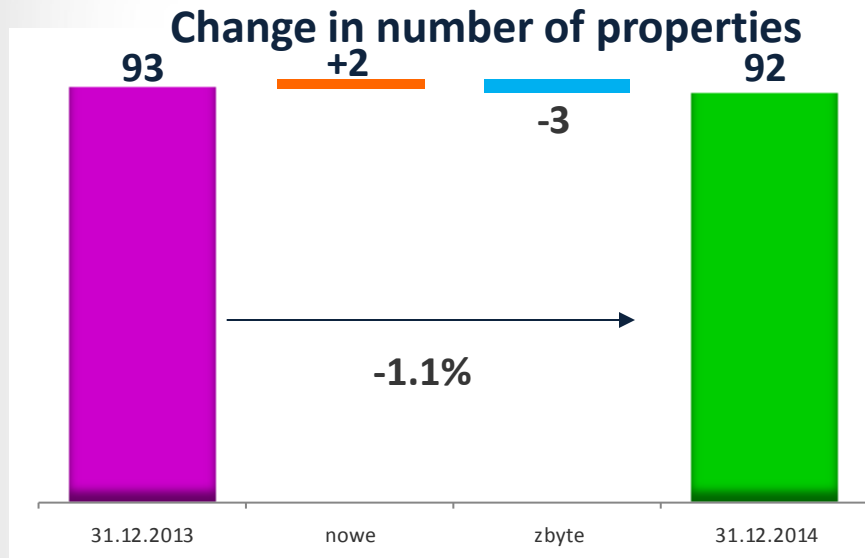
- Gross result on property disposals in Q4 2014: PLN 3.7m, and in Q4 2013: PLN 2.3m
- Effective tax rate in Q4 2013: 0%, Q4 2014: 6.9% (Q4 2014: PLN 1.1m in tax)
- The Q4 2014 net profit includes a PLN 6.1m gain on sale of Emperia shares within the Group
- EBITDA and net profit do not include gains on disposal of properties within the Group, which in Q4 2013 amounted to PLN 56.4m

Property development – Q1-Q4 2014 results



- Gross result on property disposals in Q1-Q4 2014: PLN 4.2m, Q1-Q4 2013: PLN 4.7m
- Effective tax rate in Q1-Q4 2013: 0%, Q1-Q4 2014: 11.8% (Q1-Q4 2014: PLN 4.4m in tax)
- The Q4 2014 net profit includes a PLN 6.1m gain on sale of Emperia shares within the Group
- EBITDA and net profit do not include gains on disposal of properties within the Group, which in Q4 2013 amounted to PLN 56.4m

Property development



Q4 2013 Type of property Q4 2014



Structure of operating properties



Property development

NOI* (in PLNm)

	Number of facilities	Average monthly NOI in Q4 2014
NOI - operating facilities	85	3.6
including retail sites	79	3.3

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

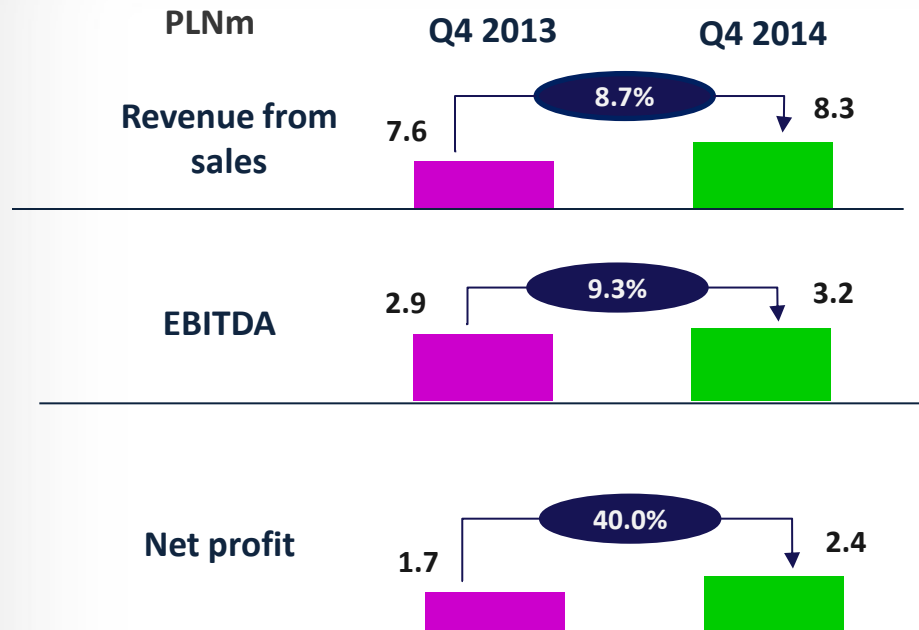
Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	56.0	35.5
Average lease rate [PLN per sqm]	43.2	40.0

IT business

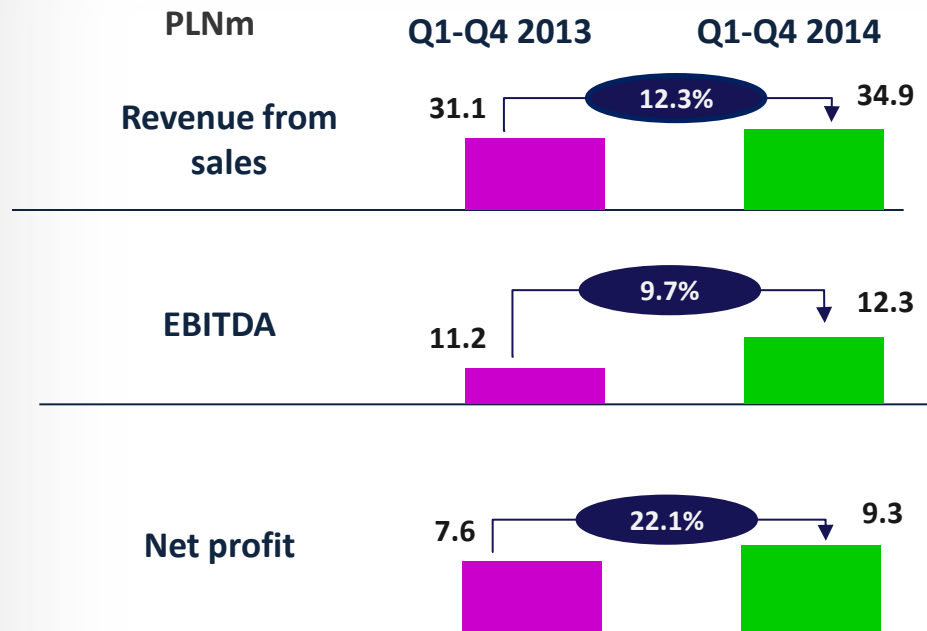
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IT business – Q4 2014 results



- Share of external revenue in Q4 2014: 61.4%; in Q4 2013: 62.5%
- Revenue structure: Q4 2014: 87.0% services, 13.0% products; Q4 2013: 85.4% services, 14.6% products

IT business – Q1-Q4 2014 results

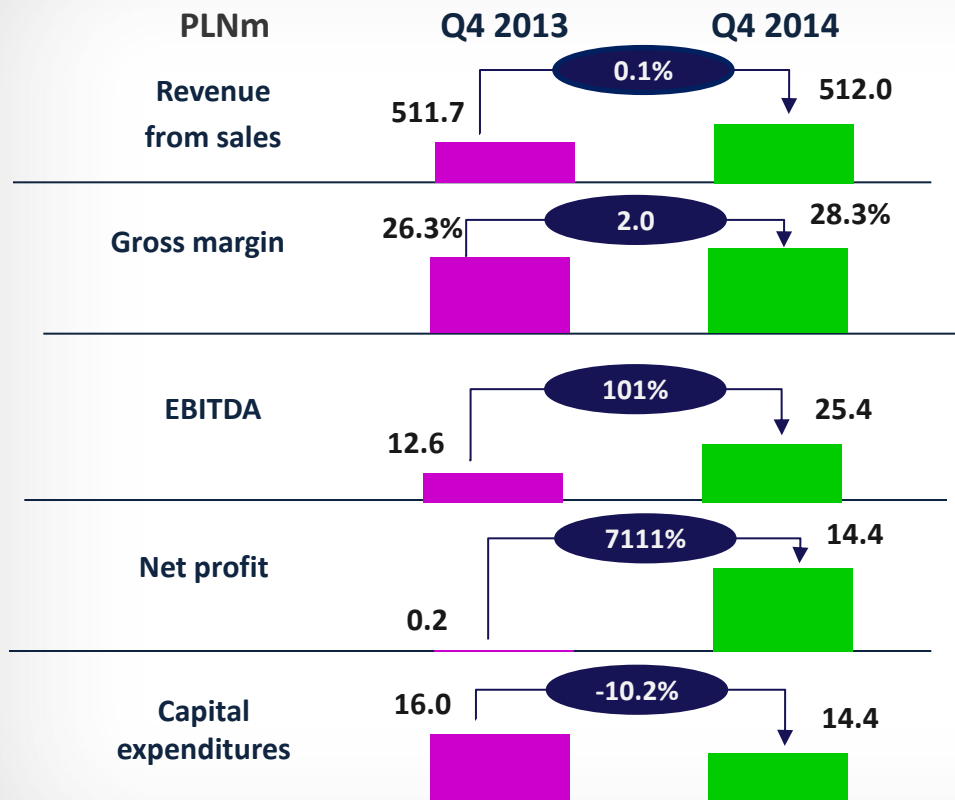


- Share of external revenue in Q1-Q4 2014: 61.2%; in Q1-Q4 2013: 63.0%
- Revenue structure: Q1-Q4 2014: 78.5% services, 21.5% products; Q1-Q4 2013: 85.8% services, 14.2% products

Emperia Group

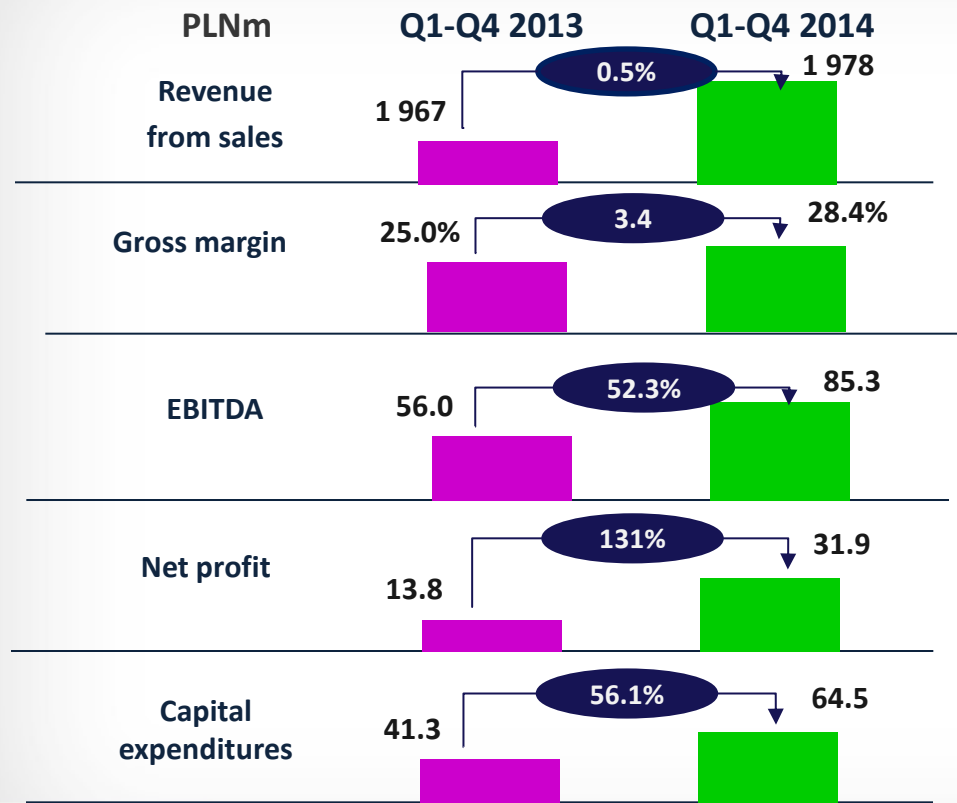
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Emperia Group – Q4 2014 results



- PLN 0.8m provision for renovations and PLN 1m in additional costs of retail company merger
- Gross result on property disposals in Q4 2014: PLN 3.8m, and in Q4 2013: PLN 5.9m
- Increase in property-segment tax in Q4 2014: PLN 1.1m (change in legal regulations)

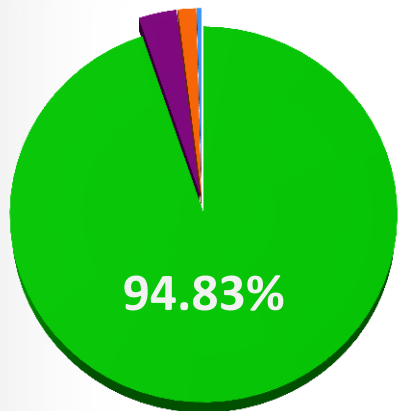
Emperia Group – Q1-Q4 2014 results



- Operating gain on one-off transactions connected with Delima stores: PLN 3.4m
- Gross result on property disposals in Q1-Q4 2014: PLN 5.0m, Q1-Q4 2013: PLN 8.3m
- Increase in property-segment tax in Q1-Q4 2014: PLN 4.4m
- Amounts awarded in court from E&Y: PLN 1.8m in Q1-Q4 2014
- Lower result on financing activities
 - Q1-Q4 2013: PLN 4.8m
 - Q1-Q4 2014: PLN 1.5m
- Q1-Q4 2014 costs connected with merger of retail companies: PLN 2m
- Cost of franchise and market development: PLN 2.9m
- Estimated cost of remodelling, rebranding and new floorplans: PLN 5m
- PLN 0.8m provision for renovations

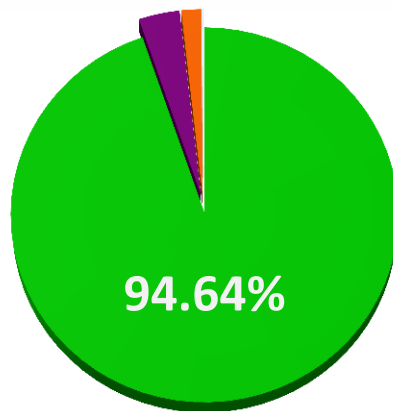
Emperia Group – results

Q1-Q4 2013

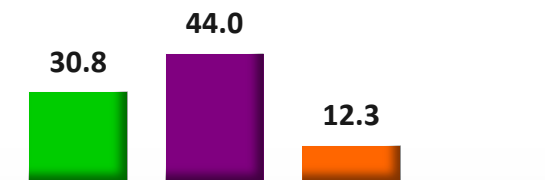
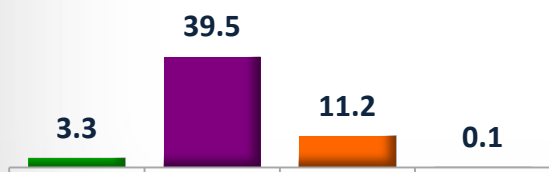


Revenue
from sales

Q1-Q4 2014



EBITDA
(in PLNm)



Emperia Group – balance sheet

PLNm	2013	2014
Goodwill	52.0	52.0
Property, plant and equipment	497.9	509.3
Net working capital	-76.5	-80.3
Other	-17.6	-12.9
Invested assets	455.8	468.1
Borrowings	4.3	3.6
Cash and cash equivalents	195.2	145.2
Net debt	-190.9	-141.6
Equity	646.7	609.7

Corporate governance

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Corporate governance 2014

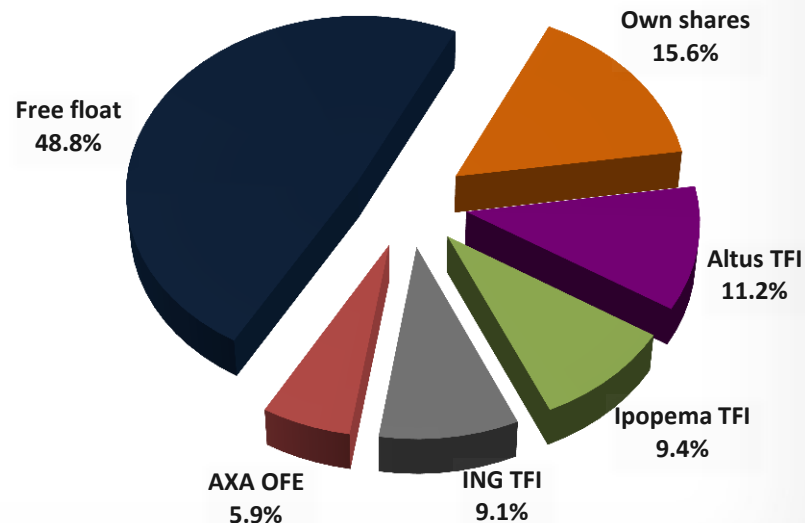
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as at 3 March 2015: 2 370 846 (i.e. 15.57%)
- Value of own shares purchased in FY 2014: PLN 57.9m

Number of registered shares: 15 223 565

Number of shares publically traded: 12 852 719

Shareholding structure

(as per the Company's latest data)



Thank you for your attention

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