

Emperia

Grupa Kapitałowa

Q2 2016



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Significant events in Q2 2016

- Revenue higher than expected, results in line with expectations
- Launch of 11 new stores
- Buy-back programme continued
- On-going tax proceeding
- Bill on retail sales tax



Emperia Group – operating structure

Retail

Stokrotka

Own and franchise stores

Property segment

**Elpro Development and
other companies**

Property management
and development

IT segment

Infinite

B2B communications, document
management, ERP systems for
retail

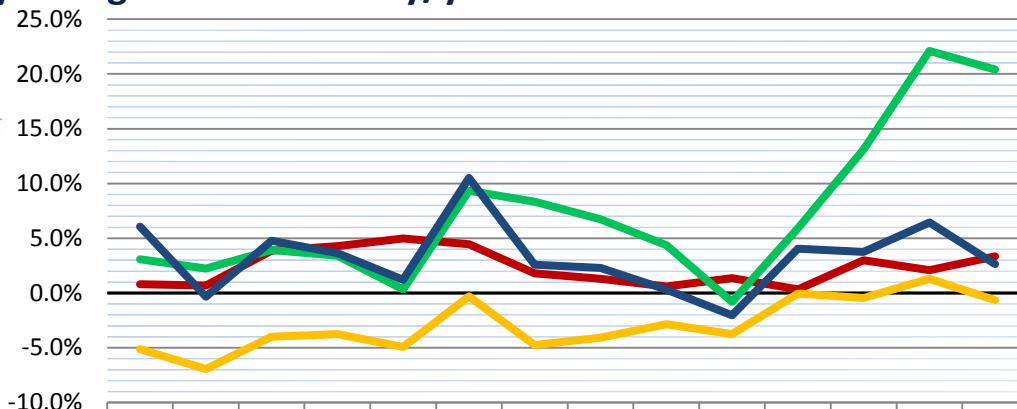
Retail

Grupa Kapitałowa Emperia

Poland's retail market 2013-2016

Quarterly change in sales value y/y

nielsen



	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Retail sales*	0.8%	0.7%	3.9%	4.3%	5.0%	4.5%	1.8%	1.3%	0.6%	1.4%	0.3%	3.0%	2.1%	3.3%
Stokrotka	3.1%	2.2%	3.9%	3.4%	0.3%	9.3%	8.3%	6.7%	4.4%	-0.8%	5.9%	13.1%	22.1%	20.4%
Supermarkets**	6.1%	-0.3%	4.8%	3.6%	1.2%	10.5%	2.6%	2.3%	0.3%	-2.0%	4.0%	3.7%	6.5%	2.6%
Hypermarkets**	-5.1%	-6.9%	-4.0%	-3.8%	-4.9%	-0.3%	-4.7%	-4.1%	-2.8%	-3.8%	0.0%	-0.5%	1.3%	-0.7%

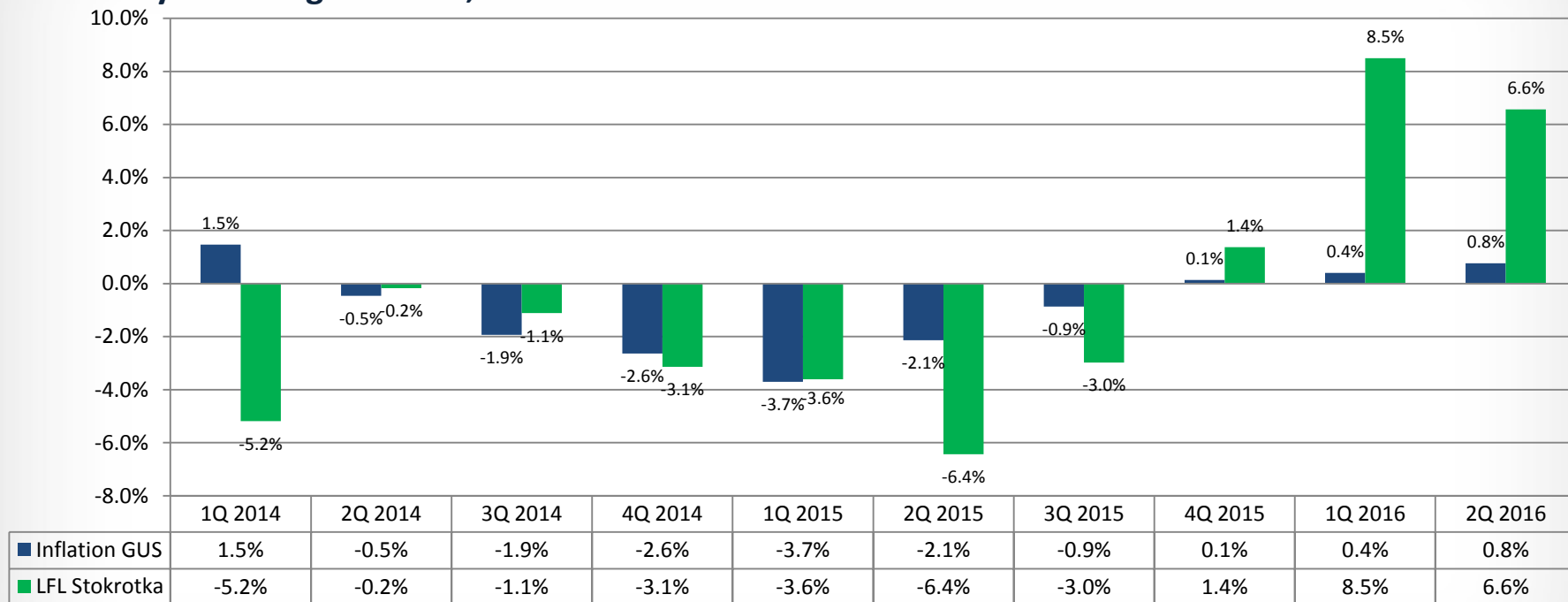
*Total retail sales y/y, GUS data

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

- According to GUS, retail sales in Q2 2016 increased by 3.3% compared with the previous year.
- Impact of "Rodzina 500+" programme on retail sales growth
- According to Nielsen, second-quarter sales at Stokrotka increased by 20.4% from the year before, while the Supermarkets segment saw a 2.6% increase y/y, and the Hypermarkets segment fell by 0.7%, compared to the previous year.

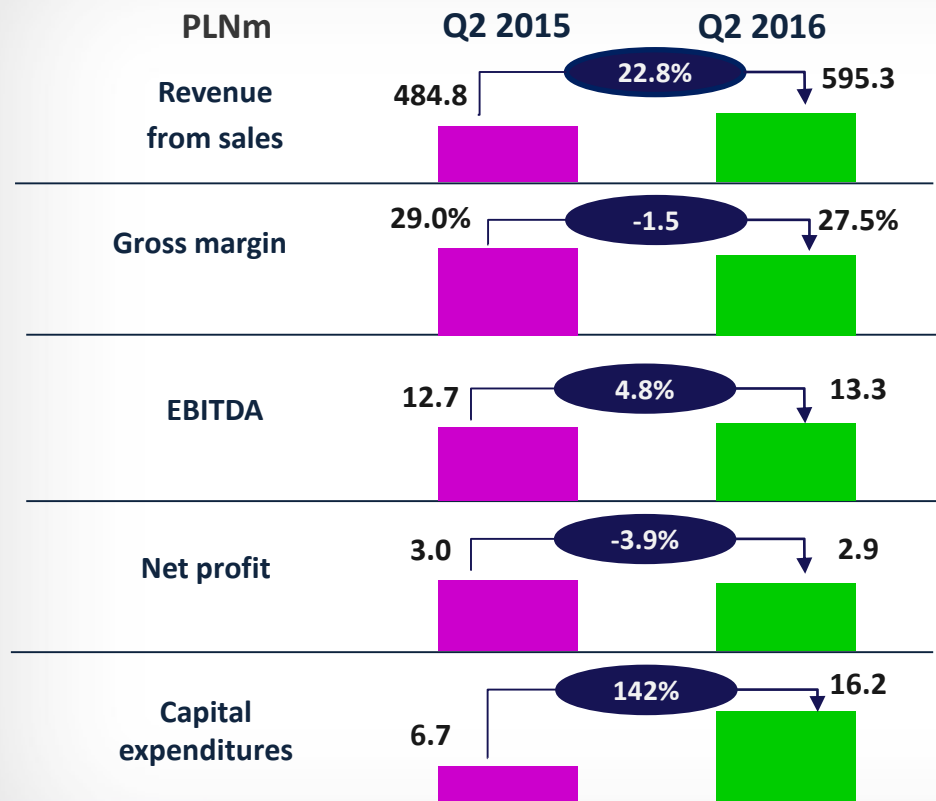
LFL sales – Stokrotka

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



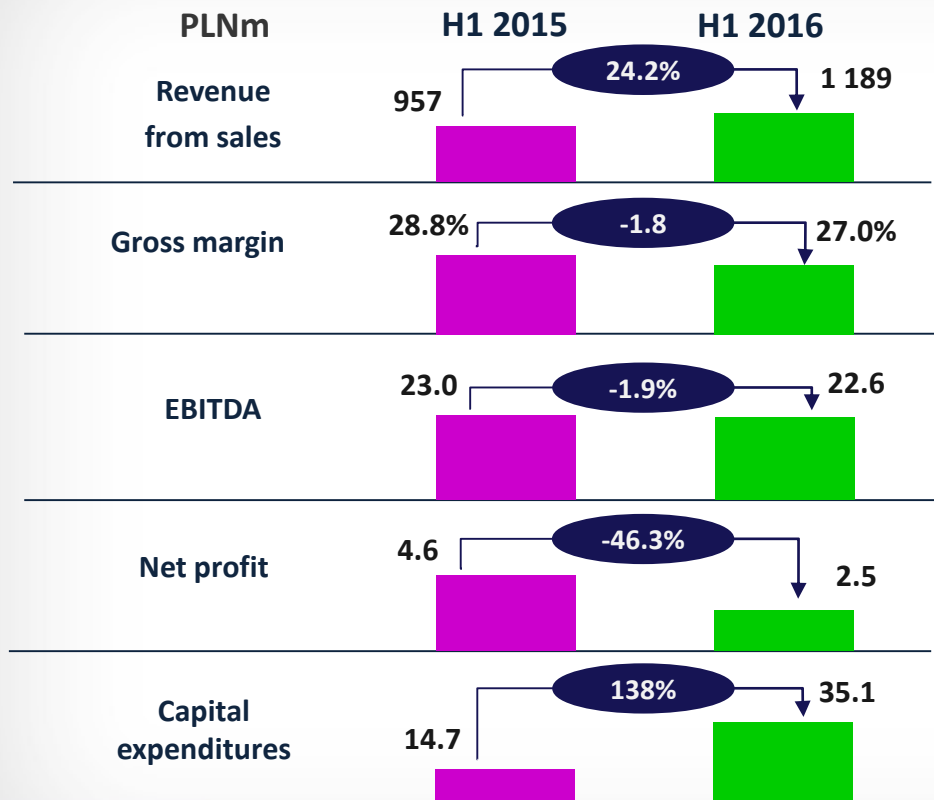
**GUS inflation data for the food and non-alcoholic beverage category*

Retail segment – Q2 2016 financial results



- Revenue growth: LFL and new store openings
- New pricing policy - substantial investment in price perception
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Costs connected with new store openings in Q2 2016: PLN 0.6m (8 own stores); Q2 2015: PLN 0.6m (4 own stores)
- Compensation and penalties paid in Q2 2016: n/a, Q2 2015: PLN 2.0m
- Store closure costs in Q2 2016: n/a, Q2 2015: PLN 0.8m

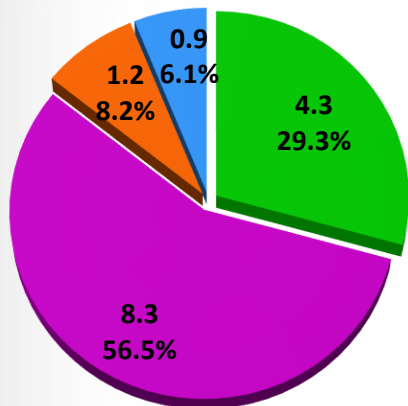
Retail segment – H1 2015 financial results



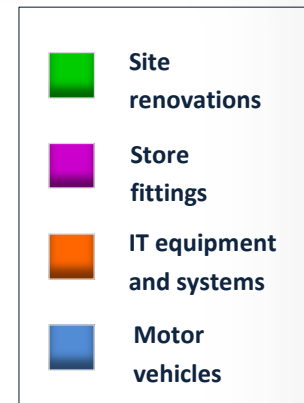
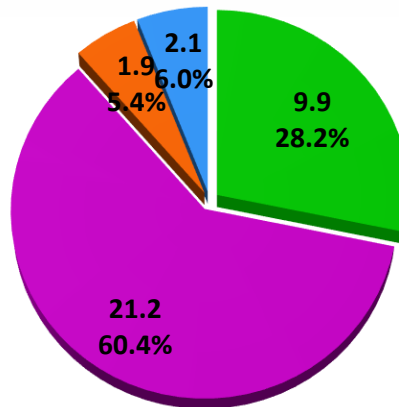
- Revenue growth: LFL and new store openings
- New pricing policy - substantial investment in price perception
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Costs to launch new distribution centre in Lublin
- Costs connected with new store openings in H1 2016: PLN 2.4m (23 own stores); H1 2015: PLN 1.5m (12 own stores)
- Compensation and penalties paid in H1 2016: PLN 0.7m, H1 2015: PLN 2.2m
- Store closure costs in H1 2016: n/a, H1 2015: PLN 1.4m

Retail segment – CAPEX

H1 2015

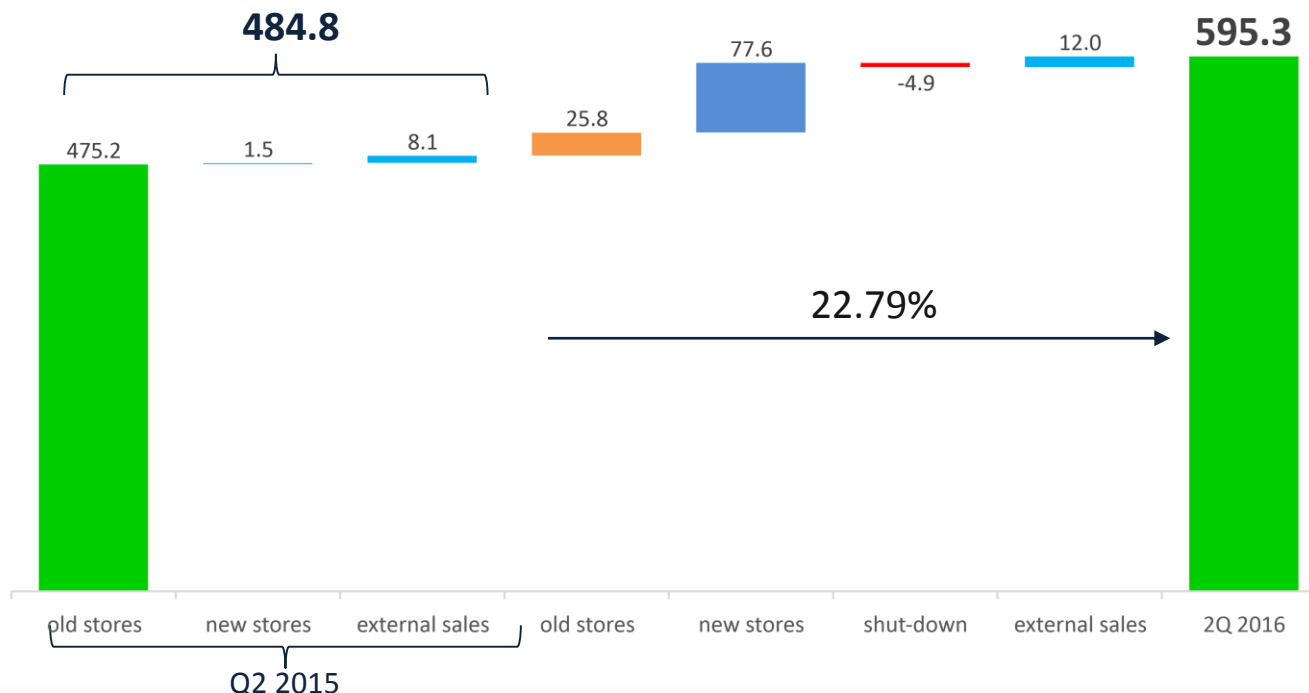


H1 2016



Retail segment – sales drivers in Q2

Change, in PLNm



older sites - stores open as of the end of Q1 2015, newer sites - opened since Q2 2015

Retail – Stokrotka

Number of stores

Number of stores at the end of Q1 2016	340
Stores opened in Q2 2016	11
Stores closed in Q2 2016	3
Number of stores at the end of Q2 2016	348

Average monthly sales per sqm (in PLN)

	Q2 2015	Q2 2016	change
Supermarkets	1 253	1 255	0.1%
Stokrotka	1 216	1 296	6.6%

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

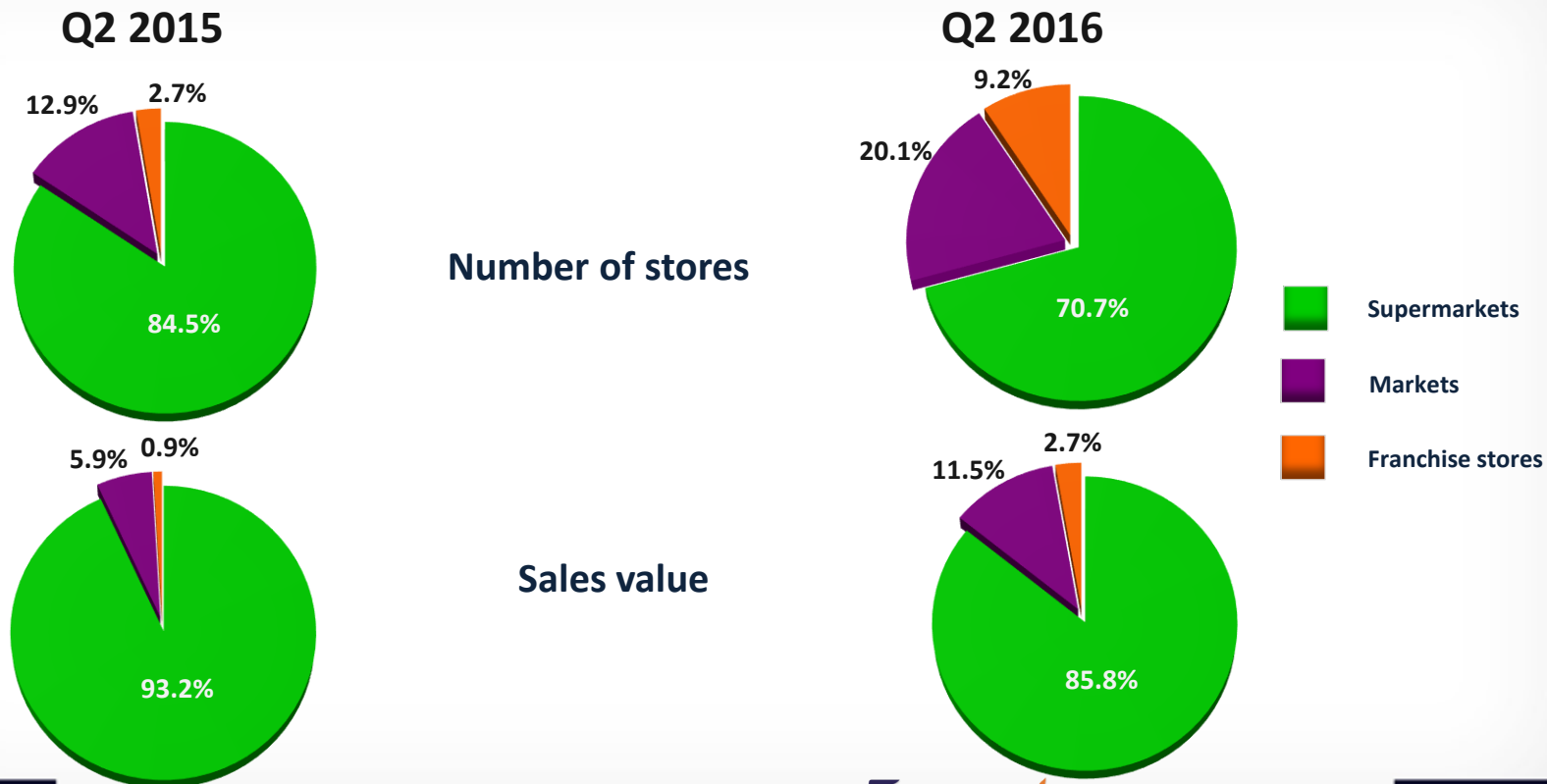
Stores by format

	Number of stores	Revenue from sales*
own supermarkets	246	506.5
own markets	70	67.7
franchise stores	32	16.2
stores shut-down	3	0.9

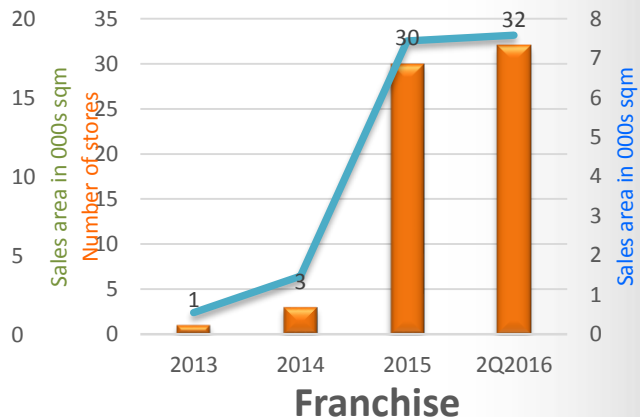
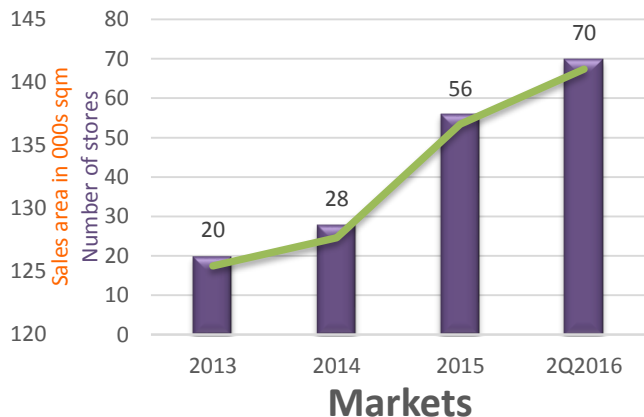
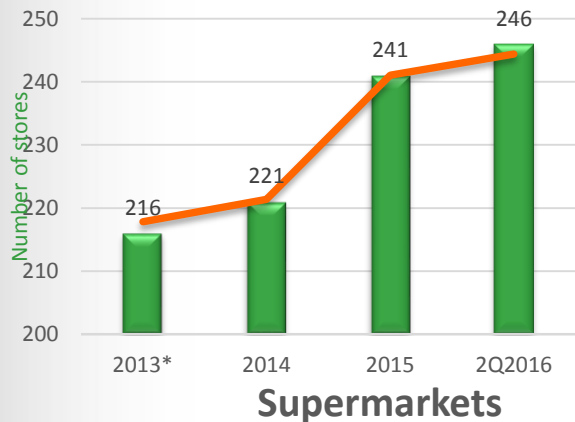
* / in PLNm /

- Launch of 5 supermarkets, 3 markets and 3 franchise stores
- Total floor area of stores opened in Q2 2016 was 5 706 sqm.
- CAPEX per new own store: PLN 0.97m

Retail segment – structure by format in Q2 2016



Retail segment – structure by format



*Total, including Maro Markety and Społem Tychy, which joined in 2014.

Retail segment – working capital turnover

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Inventory turnover	45.1	44.2	43.1	44.4	43.1
Receivables turnover	4.6	5.1	5.8	5.7	5.6
Payables turnover	59.0	63.8	69.7	67.0	62.8
Cash conversion cycle	-9.3	-14.4	-20.8	-16.9	-14.1

Turnover ratios presented in days

Stokrotka – store profitability *

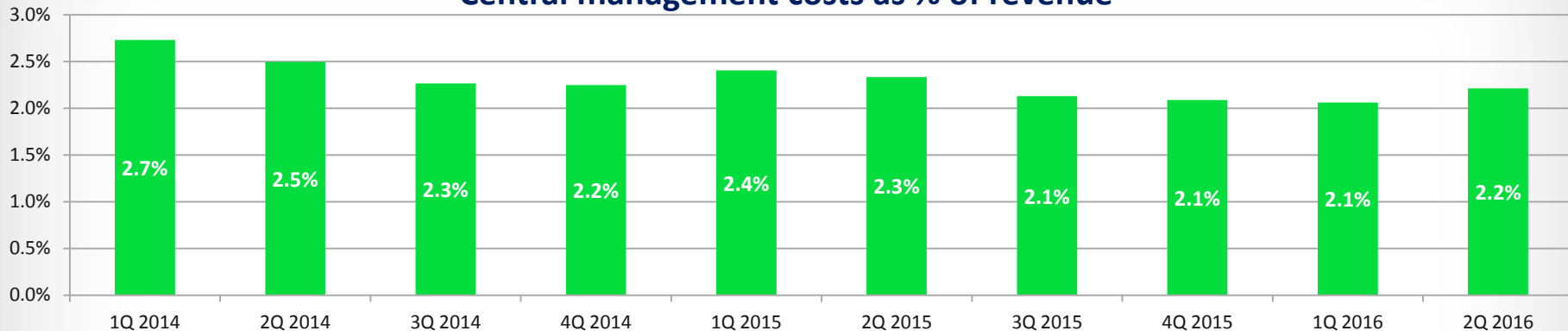
	H1 2015	H1 2016
Revenue from product sales	880.8	938.3
Store operating costs	205.2	206.8
<i>Operating costs as % of revenue</i>	<i>23.3%</i>	<i>22.0%</i>
EBITDA	56.1	57.7
<i>% EBITDA</i>	<i>6.4%</i>	<i>6.1%</i>

/PLNm/

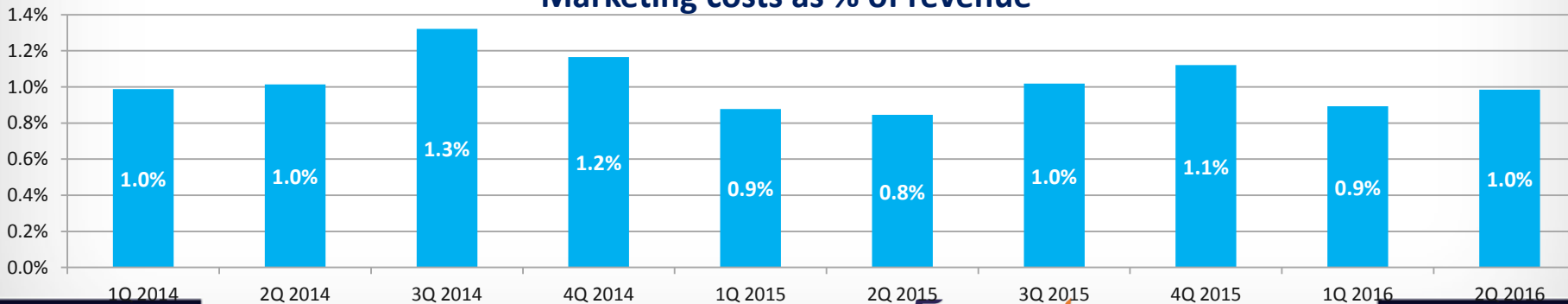
* 240 Stokrotka stores operating at the end of 2014

Retail – central office

Central management costs as % of revenue



Marketing costs as % of revenue



Retail segment – on-going developments

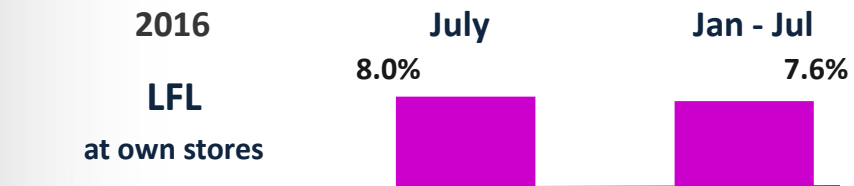
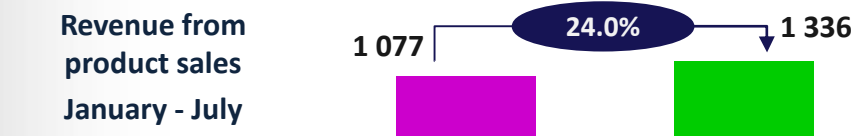
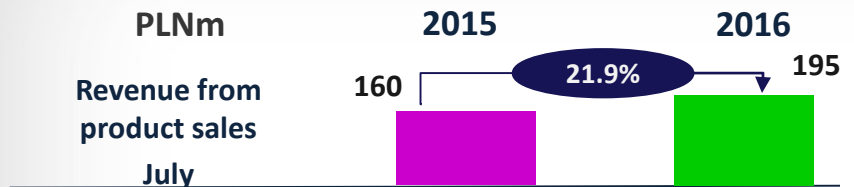
- Start of work on new convenience store format
- Reduction in product losses
- Higher marketing activity in the media
- Implementing new customer loyalty programmes
- Store productivity improvement programme conducted by an outside firm



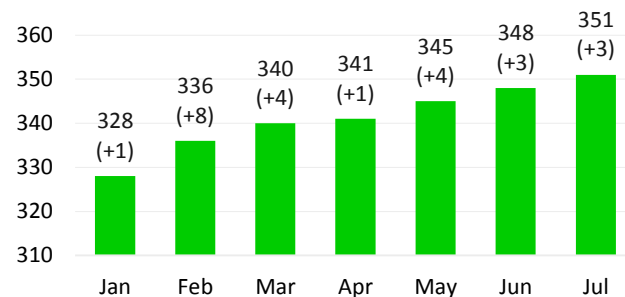
-50%



Retail segment – preliminary sales results



Number of stores at the end of period

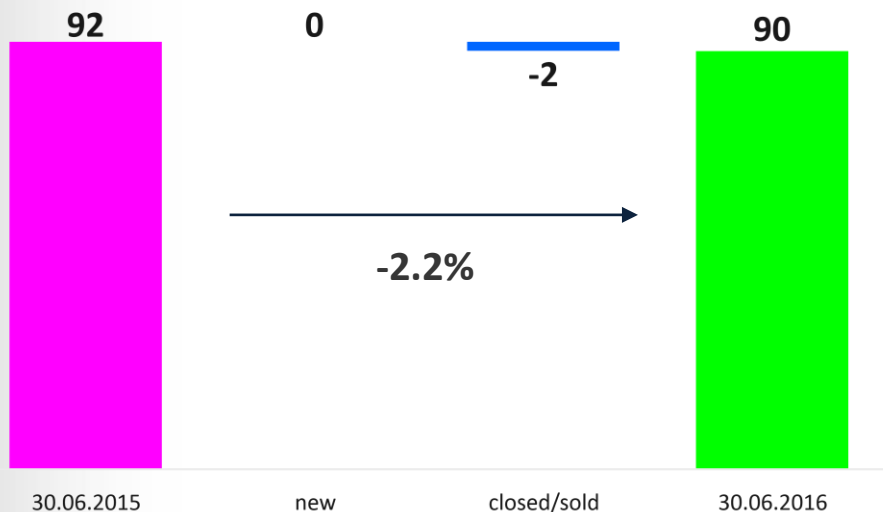


Property segment

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Property segment

Change in number of properties



Q2 2015 Type of property Q2 2016



Structure of operating properties



Property segment

NOI* (in PLNm)

	Number of facilities	Average monthly NOI in Q2 2016
NOI – operating facilities	85	3.6
including retail sites	79	3.3

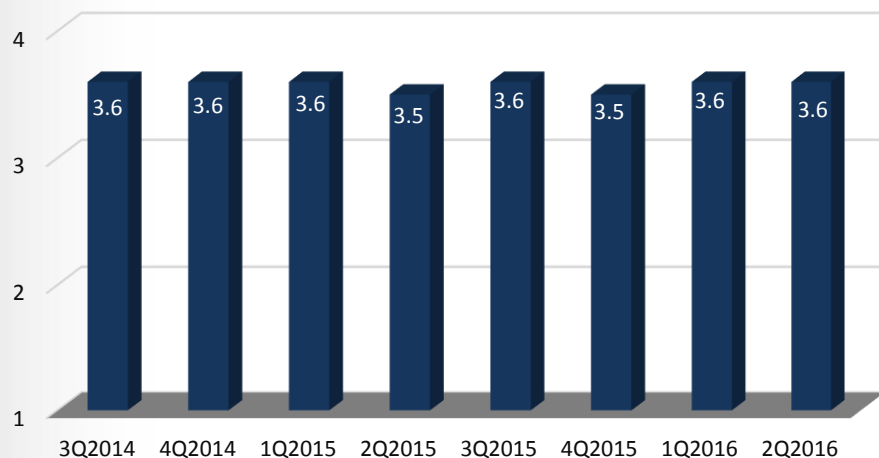
* NOI (net operating income) is defined as the difference between a property's operating revenue and operating costs, less depreciation

Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	55.8	31.9
Average lease rate [PLN per sqm]	43.5	39.4

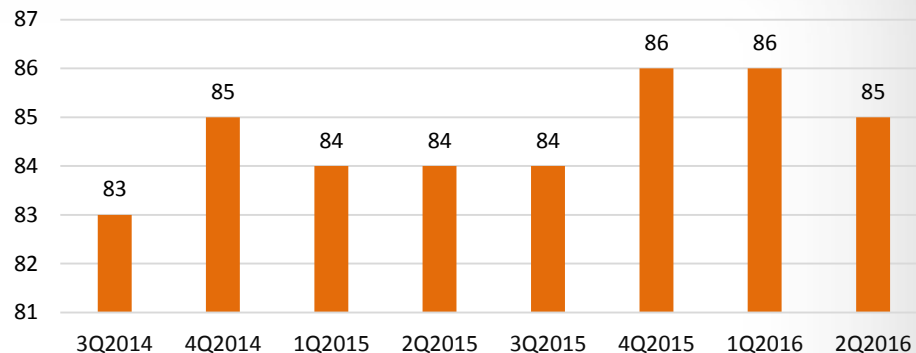
Property segment

Average monthly NOI* - operating facilities

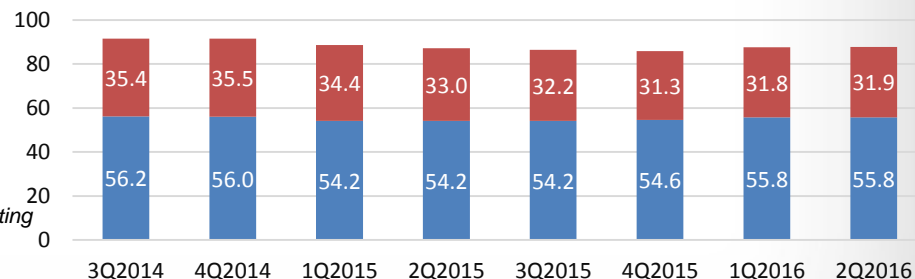


* NOI (net operating income) for a property is the difference between operating revenue and operating costs, less depreciation; in PLNm.

Number of operating facilities

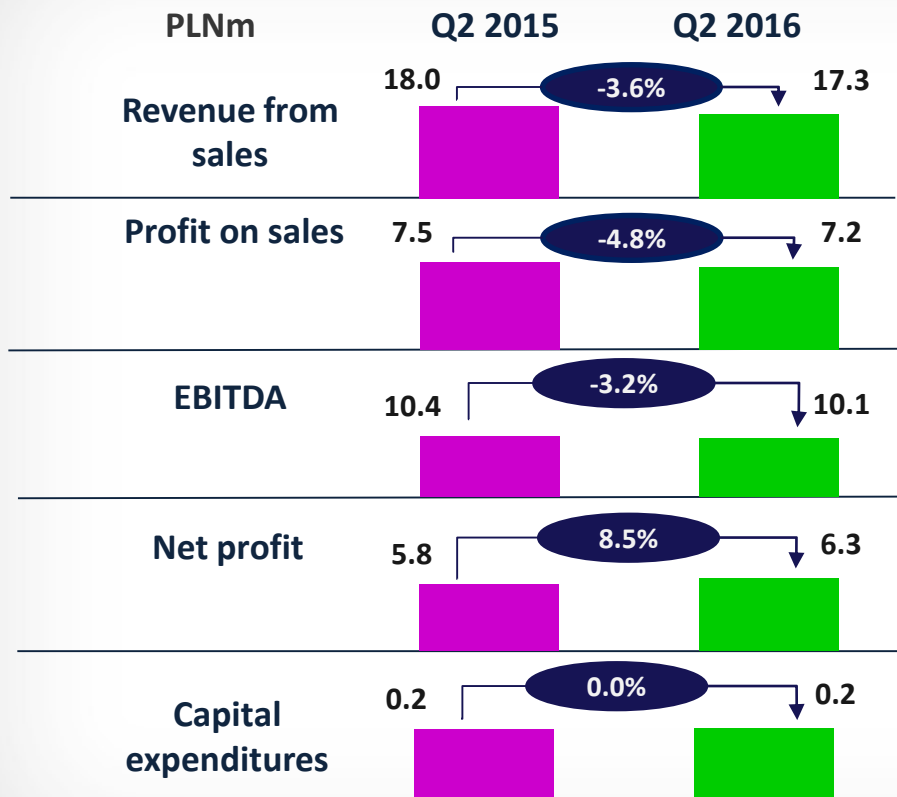


Lease area (000s sqm)



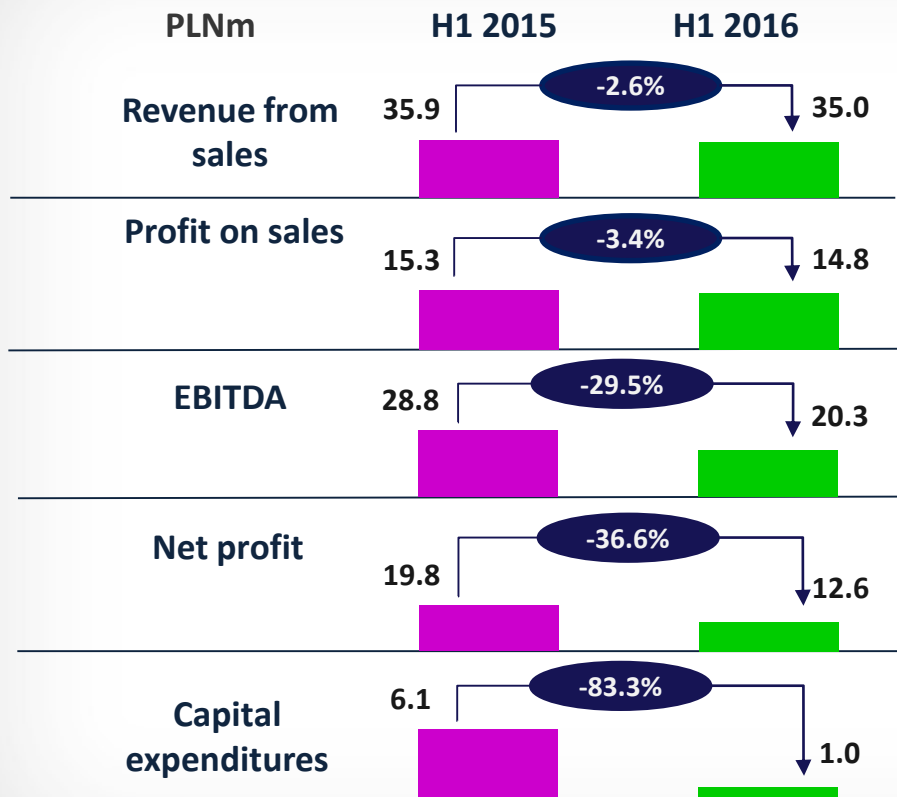
■ related tenants ■ other tenants

Property segment – Q2 2016 financial results



- Gross result on property disposals in Q2 2016: PLN 0.2m, and in Q2 2015: n/a

Property segment – H1 2016 financial results



- Gross result on property disposals in H1 2016: PLN 0.2m, and in H1 2015: PLN 7.8m

IT segment

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IT segment

Infinite's flagship systems and services



Infinite EDI solutions for electronic document exchange between business partners all over the world, without time-consuming and error-prone paper-based transactions. Process automation within the supply chain translates into more effective production and inventory management and, in consequence, a reduction in operating costs.



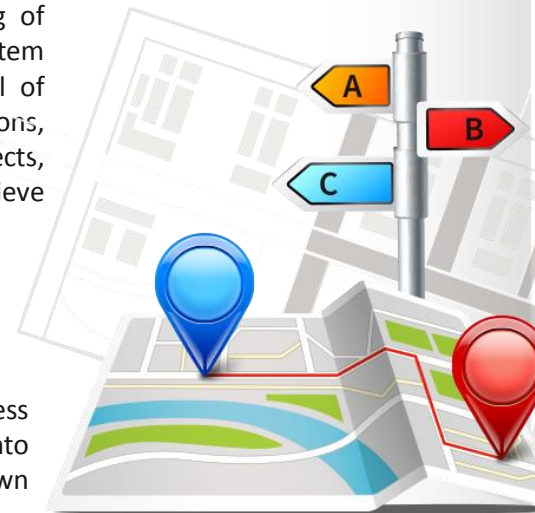
Proprietary **ERP** systems (Enterprise Resource Planning) offered by Infinite facilitate management of key processes at both small and large businesses in retail and FMCG sectors.



Infinite SFA is a solution supporting the handling of processes and tasks by mobile employees. The system improves productivity whilst ensuring a high level of customer service. Thanks to a wide array of functions, the application features reporting for key work aspects, as well as planning and defining tasks needed to achieve business objectives.



The **Infinite BI** system, which belongs to the Business Intelligence software group, transforms data into business information. It facilitates modern drill-down analysis, report automation and geomarketing.



IT segment

Infinite's flagship systems and services



Infinite ECM is a group of solutions intended for management of documents coming in and out of the organisation. By integrating and processing data from various ICT systems, these tools generate electronic documents, which can be quickly distributed.



As companies develop their IT capabilities, demand for highly qualified IT staff grows. Based on many years of experience, Infinite supports businesses in selecting specialists through competence- and project-based **outsourcing**.



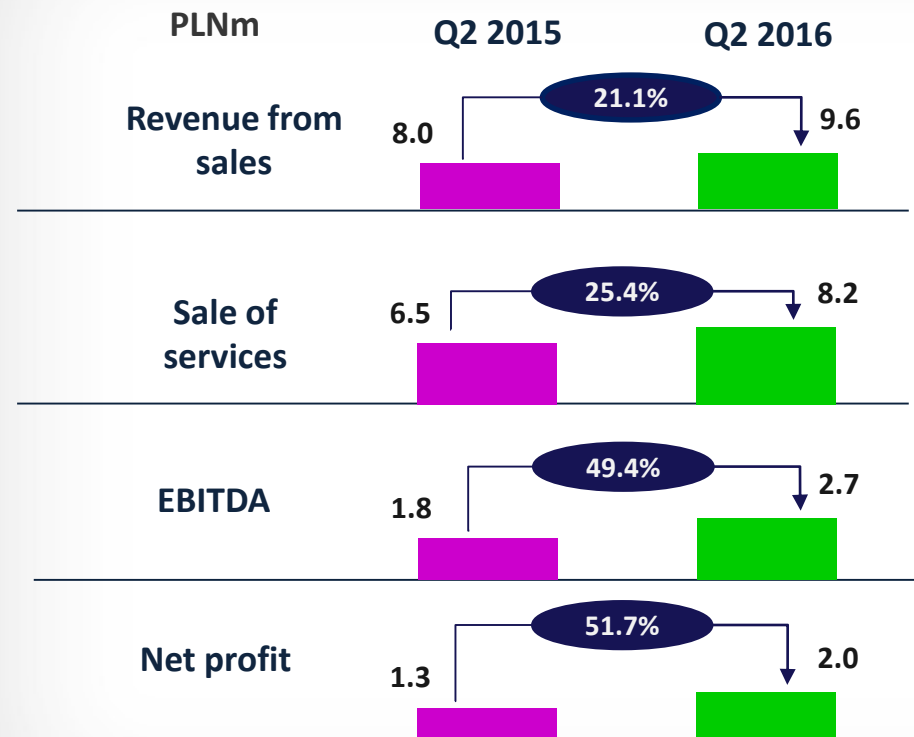
Infinite RCP allows companies to more effectively plan and record work time in accordance with the existing Labour Code regulations. The system is used by small, medium and large businesses alike, also those with dispersed and complex organisational structures.



Comprehensive package of **IT services** for business, covering: service and purchase of computer, network and accounting equipment from renowned manufacturers, which is guaranteed by Service Level Agreements adapted to client requirements.

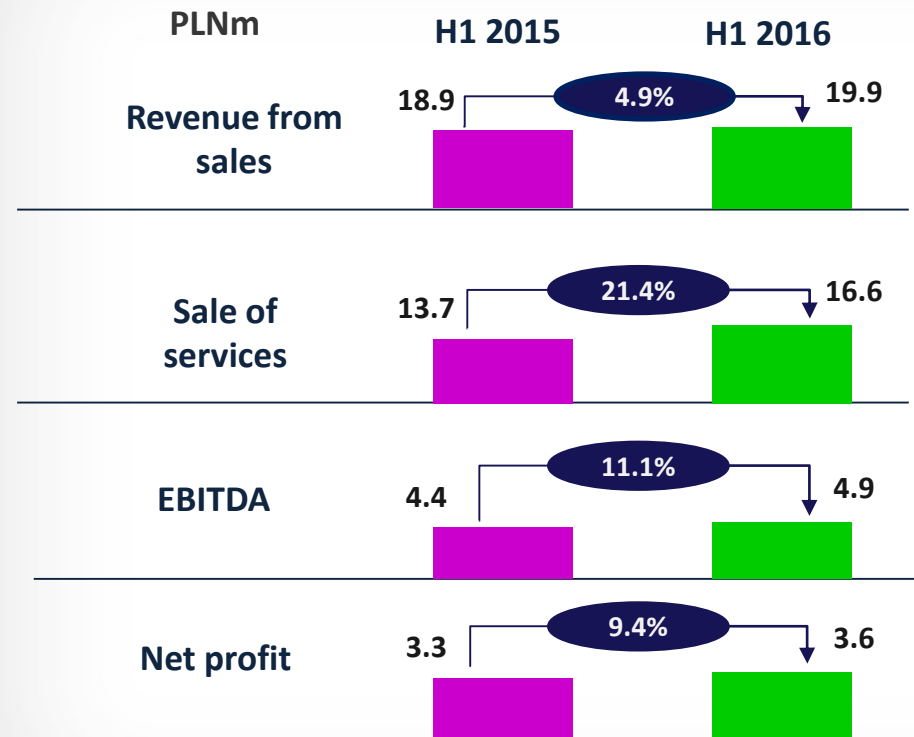


IT segment – Q2 2016 financial results



- Product development
- Entry into new sectors - banking
- Growth in service sales in Q2 2016 by 25.4%, including to external entities by 28.6%
- Share of external revenue in Q2 2016: 72.4%; in Q2 2015: 70.6%

IT segment – H1 2016 financial results

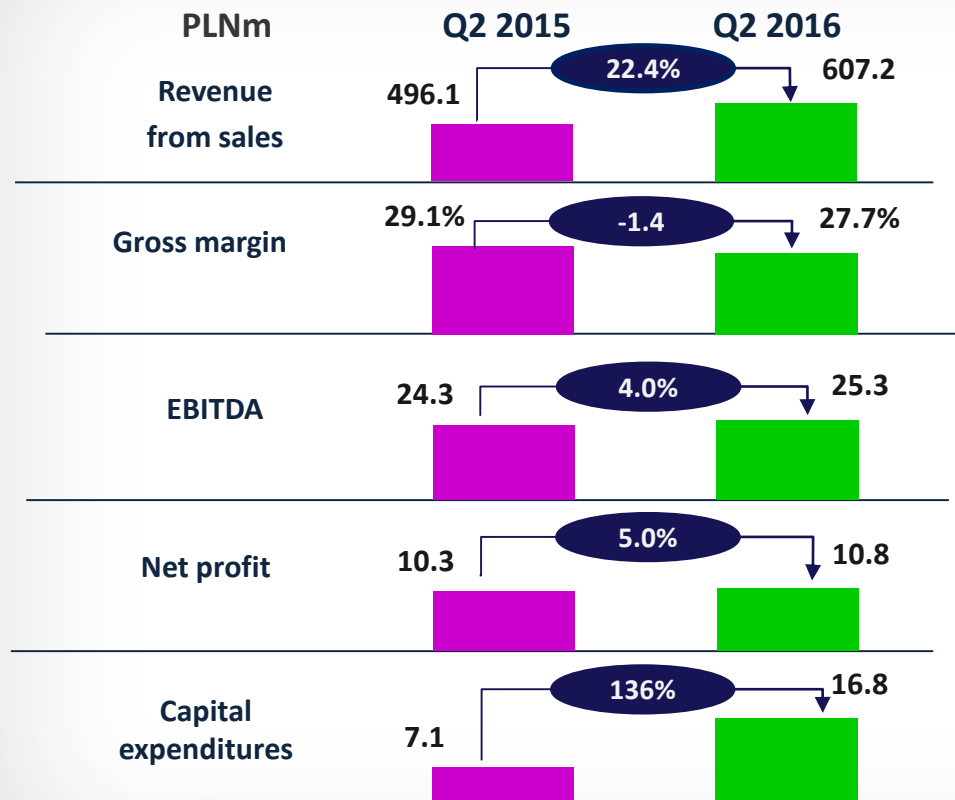


- Product development
- Entry into new sectors - banking
- Growth in service sales in H1 2016 by 21.4%, including to external entities by 27.8%
- Share of external revenue in H1 2016: 73.2%; in H1 2015: 69.6%

Emperia Group

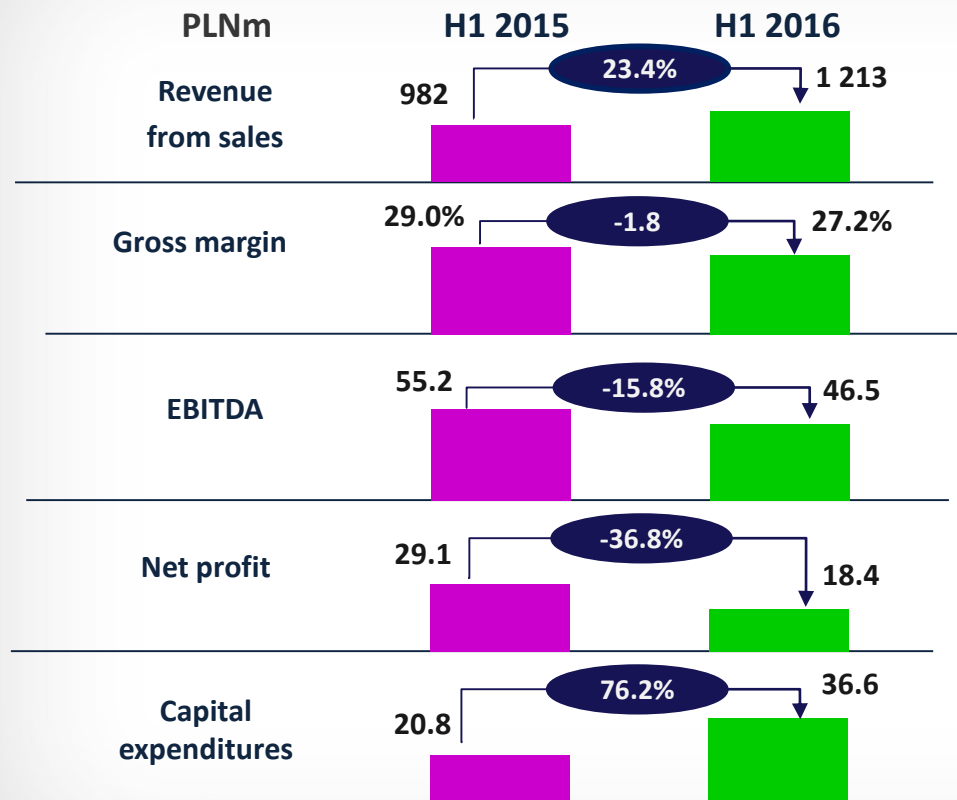
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Emperia Group – Q2 2016 financial results



- Costs connected with new store openings in Q2 2016: PLN 0.6m (8 own stores); Q2 2015: PLN 0.6m (4 own stores)
- Gross result on property disposals in Q2 2016: PLN 0.2m, and in Q2 2015: n/a
- Compensation and penalties paid in Q2 2016: n/a, Q2 2015: PLN 2.0m
- Store closure costs in Q2 2016: n/a, Q2 2015: PLN 0.8m

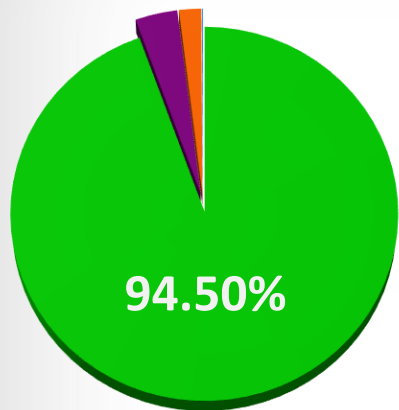
Emperia Group - H1 2016 financial results



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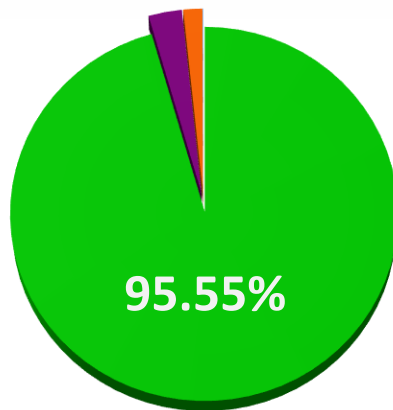
Emperia Group – financial results

H1 2015

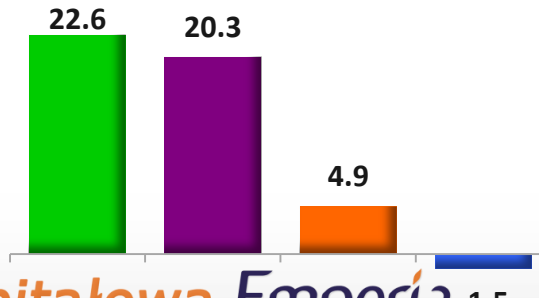
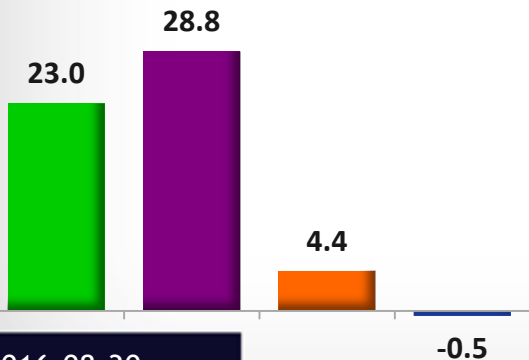


Revenue
from sales

H1 2016



EBITDA
(in PLNm)



Emperia Group – balance sheet

PLNm	H1 2015	2015	H1 2016
Goodwill	52.0	52.0	52.0
Property, plant and equipment	498.3	522.8	528.7
Net working capital	-42.2	-97.8	-61.5
Other	-8.4	5.6	10.5
Invested assets	499.7	482.6	529.7
Borrowings	3.2	2.6	12.2
Cash and cash equivalents	89.0	114.9	83.4
Net debt	-85.8	-112.3	-71.1
Equity	585.5	594.9	600.8

Expenditures in H1 2016:

- Share buy-back PLN 12.5m
- Capital expenditures PLN 36.6m

Decrease in cash in H1 2016: PLN 20.4m, including growth in cash flows from operating activities: PLN 3.0m

Corporate governance

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Corporate governance 2016

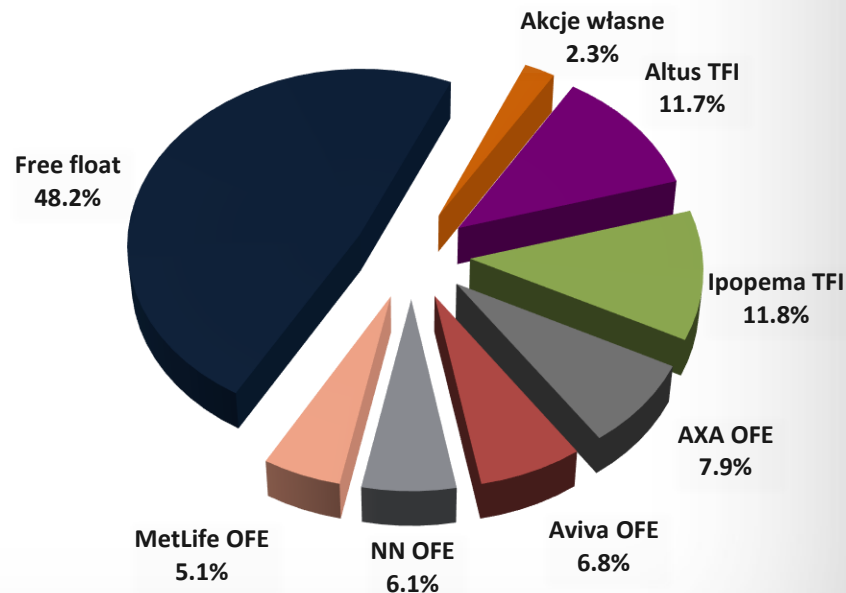
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as at 30 August 2016: **281 841** (2.28%), of which 200 014 in H1 2016 for PLN 12.5m
- Cancellation of 900 219 own shares on 30 March 2016
- Ordinary general meeting on 30 June 2016
- The decision to start the process of analyzing strategic options associated with an increased rate of development of the retail segment on 30 August 2016

Number of registered shares: **12 340 049**

Number of shares publicly traded: **12 058 208**

Shareholding structure

(as per the Company's latest data)



Thank you for your attention

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