

# *Emperia* Grupa Kapitałowa

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Q4 2016



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# Significant events in Q4 2016

- Strong growth in revenue (9.4%) and EBITDA (42.7%)
- Launch of 14 new stores
- Gross result on property sales: PLN 4.9m
- Buy-back programme continued
- On-going tax proceeding

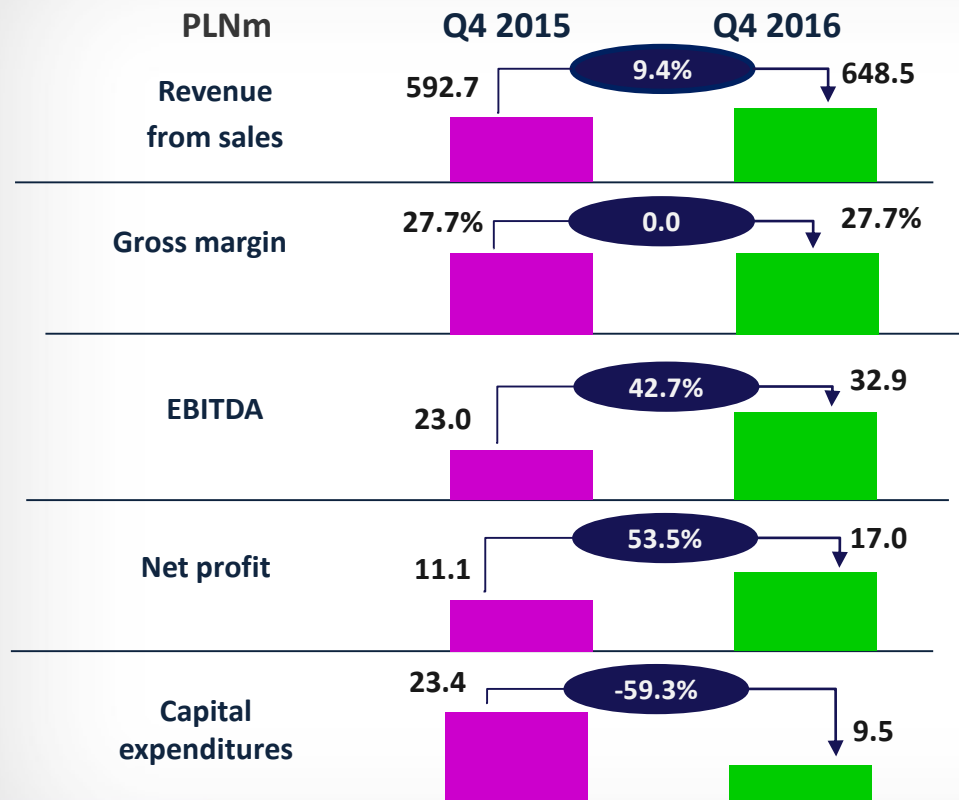


*Emperia Group*

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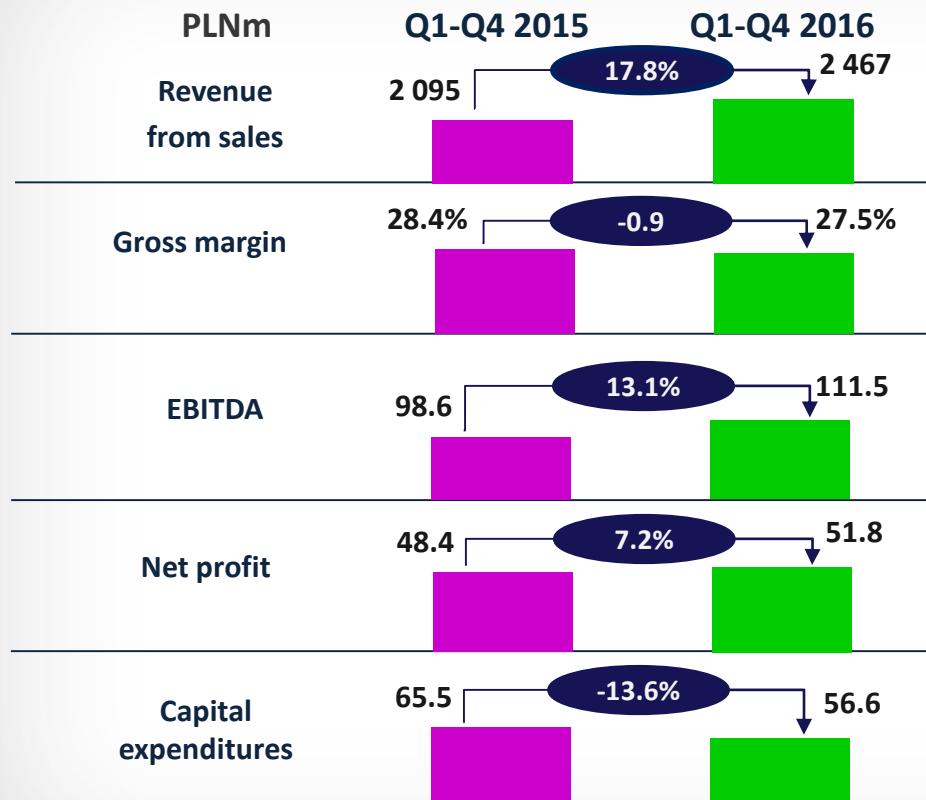
*Grupa Kapitałowa Emperia*

# Emperia Group – Q4 2016 financial results



- Compensation and penalties paid in Q4 2016: none, Q4 2015: PLN 1.3m
- Store closure costs in Q4 2016: PLN 0.2m, Q4 2015: none
- Gross result on property sales in Q4 2016: PLN 4.9m (PLN 4.7m net), and in Q4 2015: PLN 0.2m (PLN 0.2m net)
- Cost pressure related to store and warehouse staff wages

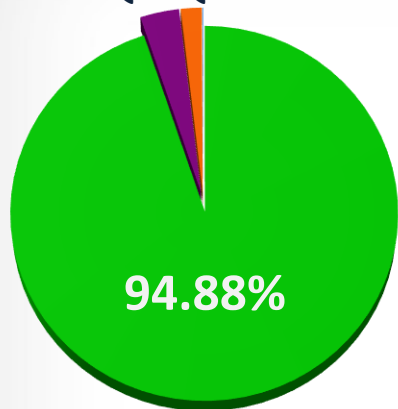
# Emperia Group - Q1-Q4 2016 financial results



- Compensation and penalties paid in Q1-Q4 2016: none, Q1-Q4 2015: PLN 3.5m
- Costs of store closures in Q1-Q4 2016: PLN 1.0m, Q1-Q4 2015: PLN 1.4m
- Gross result on property sales in Q1-Q4 2016: PLN 13.5m (PLN 11.3m net), and in Q1-Q4 2015: PLN 8.2m (PLN 8.1m net)
- Tax proceeding costs in Q1-Q4 2016: PLN 0.8m

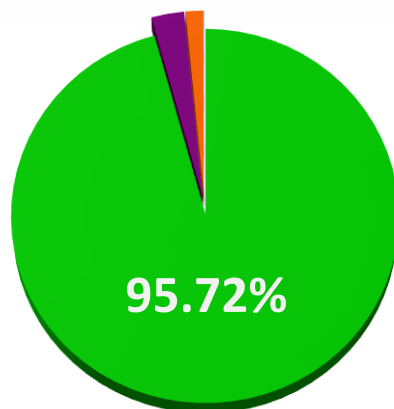
# Emperia Group – financial results

Q1-Q4 2015

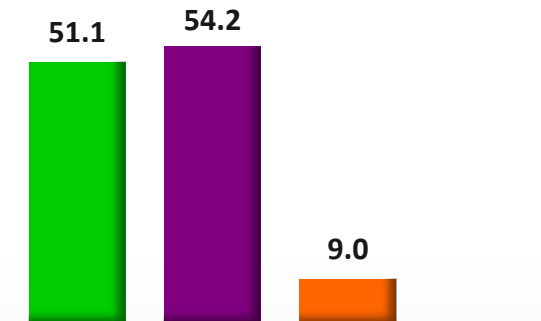
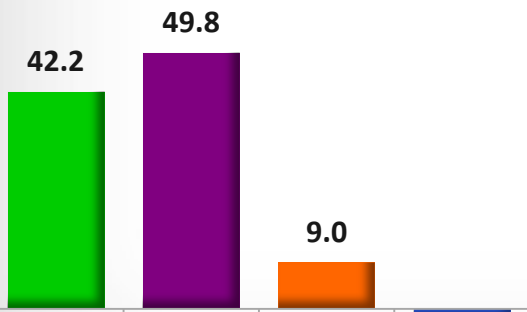


Revenue  
from sales

Q1-Q4 2016



EBITDA  
(in PLNm)



# Emperia Group – balance sheet

PLNm	2015	2016
Goodwill	52.0	52.0
Property, plant and equipment	522.8	510.6
Net working capital	-97.8	-89.3
Other	5.6	9.1
<b>Invested assets</b>	<b>482.6</b>	<b>482.4</b>
Borrowings	2.6	1.7
Cash and cash equivalents	103.8	146.4
Current financial assets	11.1	-
<b>Net debt</b>	<b>-112.3</b>	<b>-144.7</b>
<b>Equity</b>	<b>594.9</b>	<b>627.1</b>

Expenditures in Q1-Q4 2016:

- Share buy-back PLN 18.8m
- Capital expenditures PLN 56.6m

Decrease in cash in Q1-Q4 2016: PLN 42.6m, including growth in cash flows from operating activities: PLN 91.1m



*Retail*

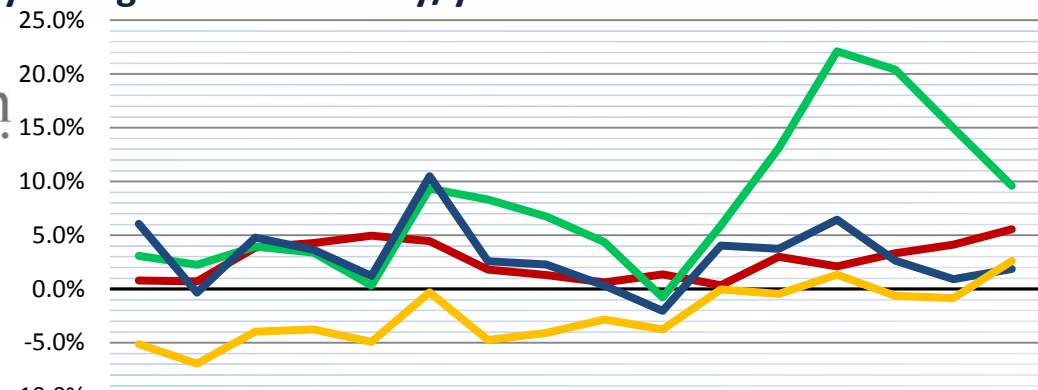
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# Poland's retail market 2013-2016

## 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	3Q 2016	4Q 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%	4.1%	5.6%
— 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%	14.9%	9.6%
— 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%	2.7%	0.9%	1.9%
— 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%	-0.6%	-0.8%	2.6%

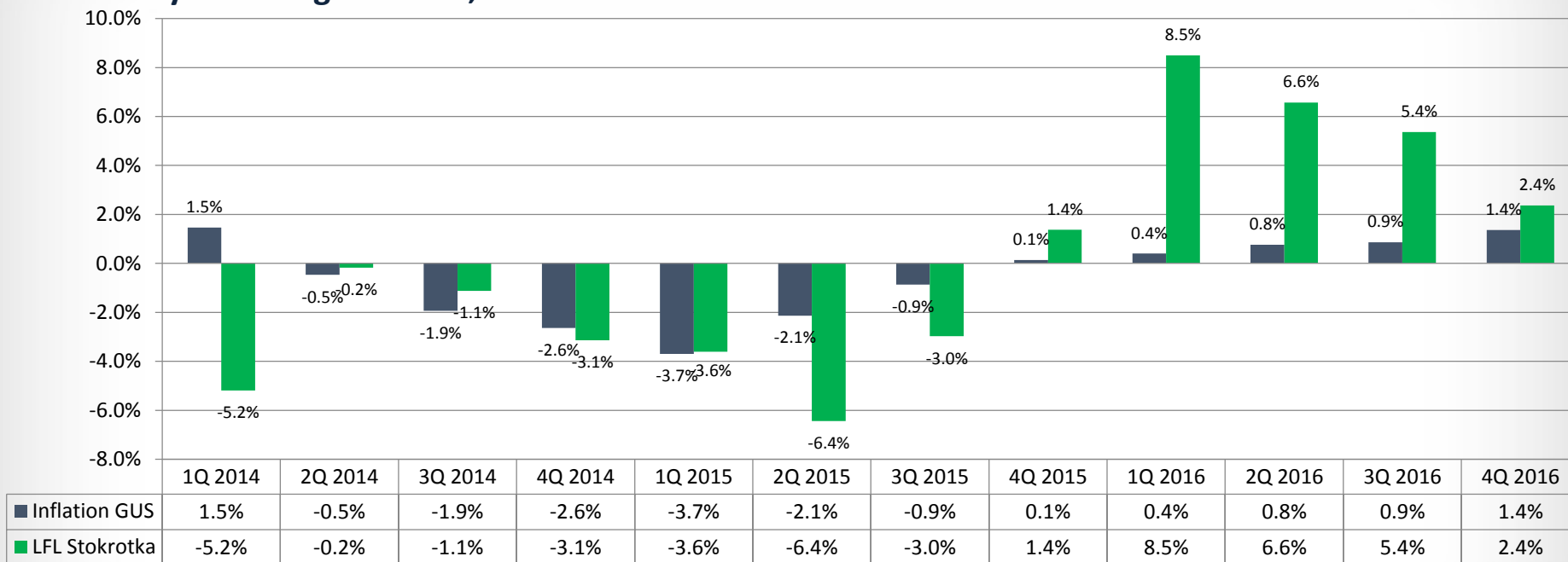
- According to GUS, retail sales in Q4 2016 advanced 5.6% on the previous year.
- According to Nielsen, fourth-quarter sales at Stokrotka increased by 9.6% from the year before, while the Supermarkets segment saw a 1.9% increase y/y, and the Hypermarkets segment grew by 2.6%, compared to the previous year.

\*Total retail sales y/y, 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)

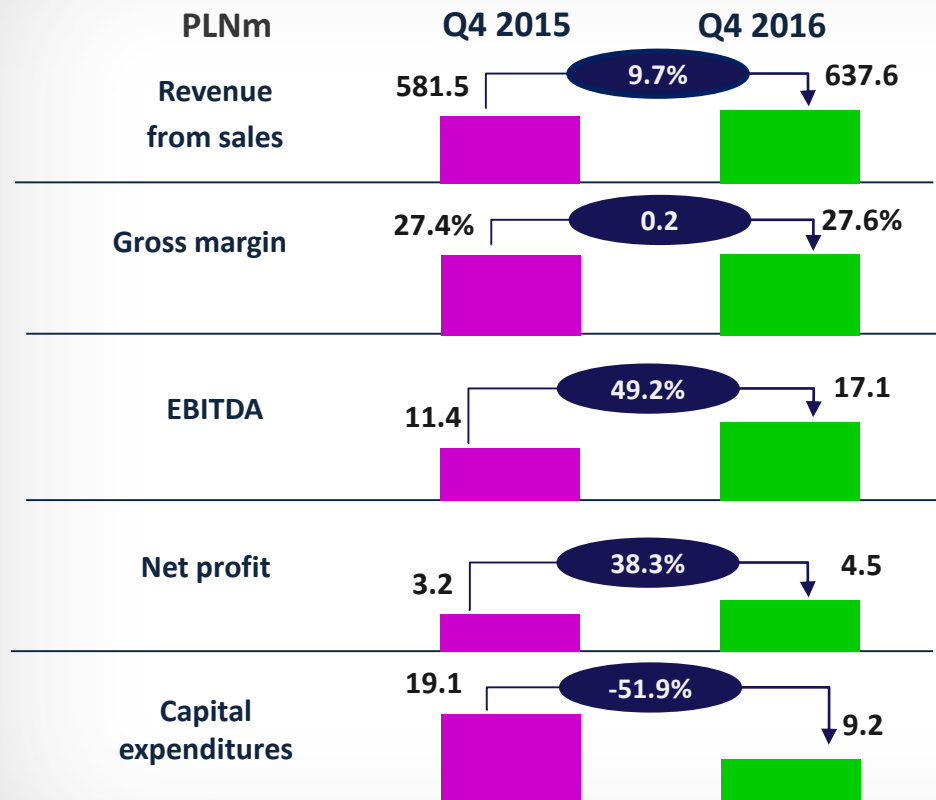
# LFL sales – Stokrotka

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



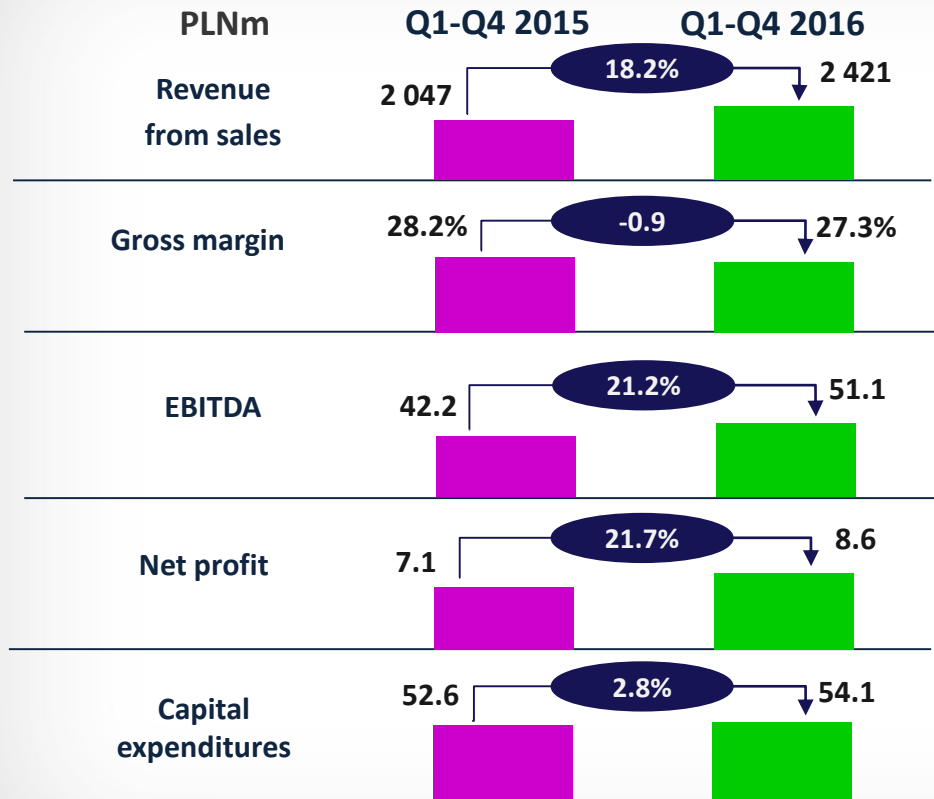
*\*GUS inflation data for the food and non-alcoholic beverage category*

# Retail segment – Q4 2016 financial results



- Revenue growth: LFL and new store openings
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Compensation and penalties paid in Q4 2016: none, Q4 2015: PLN 1.3m
- Store closure costs in Q4 2016: PLN 0.2m, Q4 2015: none
- Cost pressure related to store and warehouse staff wages
- Strong pricing pressure from the competition

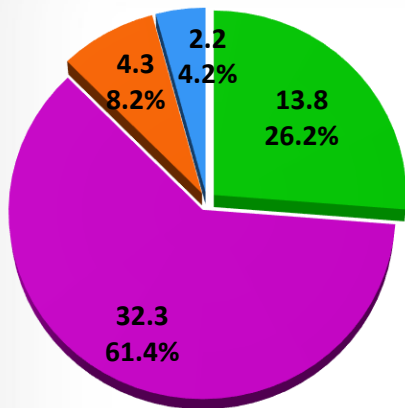
# Retail segment – Q1-Q4 2016 financial results



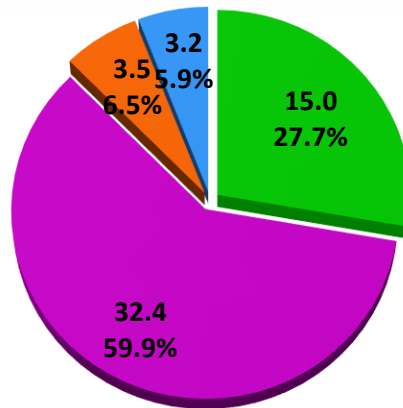
- Revenue growth: LFL and new store openings
- New pricing policy - substantial investment in price perception
- Impact of customer loyalty programmes and launch of new stores on revenue and margins
- Compensation and penalties paid in Q1-Q4 2016: none, Q1-Q4 2015: PLN 3.5m
- Costs of store closures in Q1-Q4 2016: PLN 1.0m, Q1-Q4 2015: PLN 1.4m

# Retail segment – CAPEX

## Q1-Q4 2015

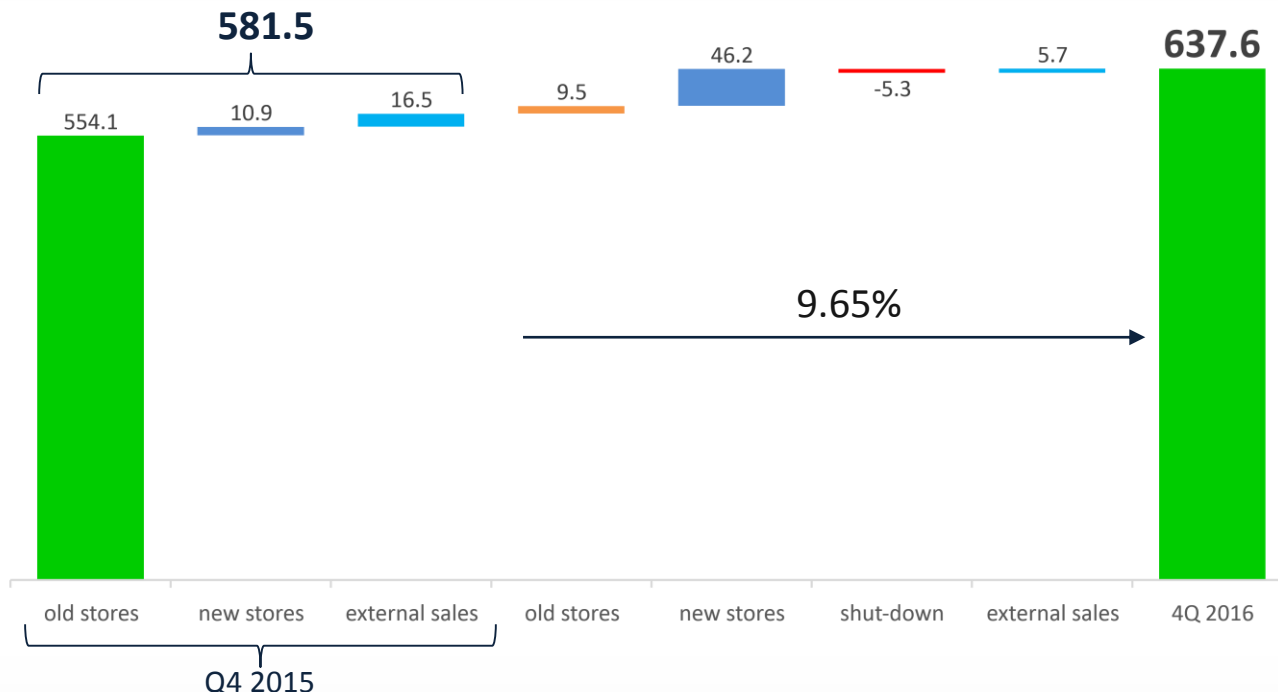


## Q1-Q4 2016



# Retail segment – sales drivers in Q4 2016

Change, in PLNm



older sites - stores open as of the end of Q3 2015, newer sites - opened since Q4 2015

# Retail – Stokrotka

## Number of stores

Number of stores at the end of Q3 2016	358
Stores opened in Q4 2016	14
Stores closed in Q4 2016	0
Number of stores at the end of Q4 2016	372

## Average monthly sales per sqm (in PLN)

	Q4 2015	Q4 2016	change
Supermarkets	1 335	1 338	0.3%
Stokrotka	1 286	1 337	4.0%

-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

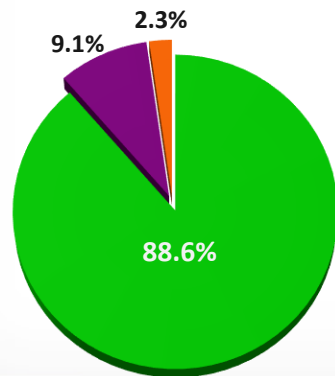
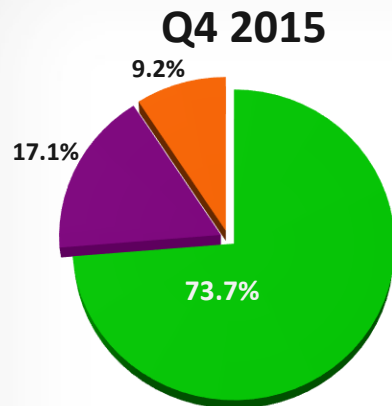
	Number of stores	Revenue from sales*
own supermarkets	250	539.4
own markets	77	75.9
franchise stores	45	20.6
stores shut-down	0	0.0

\* / in PLNm /

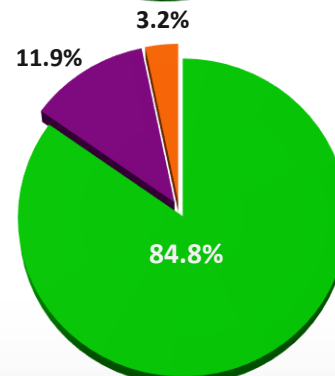
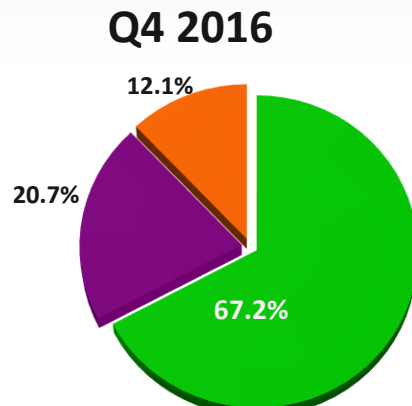
- Launch of 2 supermarkets, 7 markets and 5 franchise stores
- Total floor area of stores opened in Q4 2016 was 6 417 sqm
- CAPEX per new own store: PLN 0.77m



# Retail segment – structure by format in Q4 2016



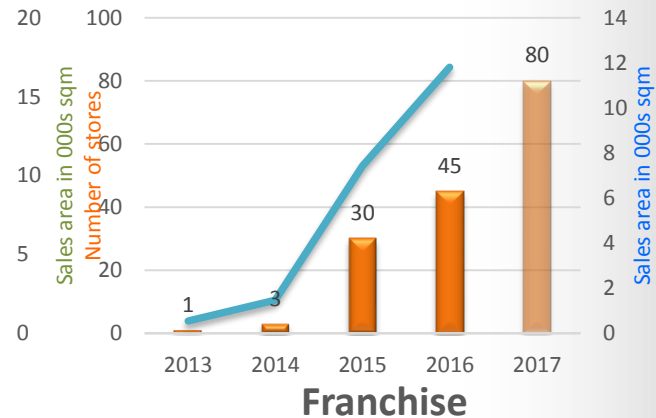
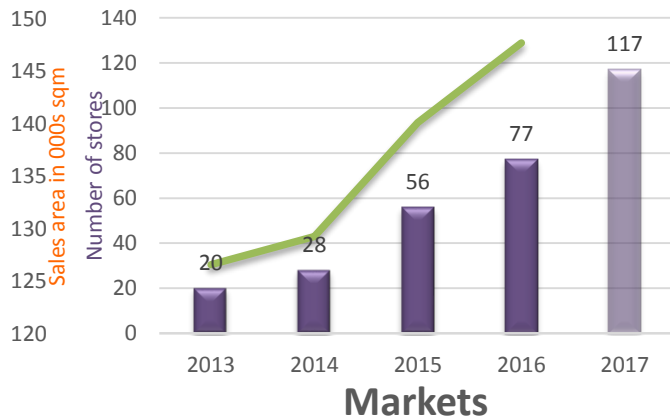
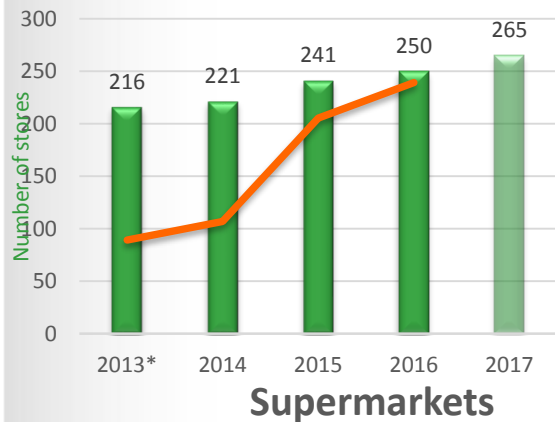
Number of stores



Sales value

# Retail segment – structure by format

90 stores are expected to be opened in 2017



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

# Retail segment – working capital turnover

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Inventory turnover	43.1	44.4	43.1	45.3	43.2
Receivables turnover	5.8	5.7	5.6	5.8	6.4
Payables turnover	69.7	67.0	62.8	60.1	67.9
Cash conversion cycle	-20.8	-16.9	-14.1	-9.0	-18.3

*Turnover ratios presented in days*

# Stokrotka – store profitability \*

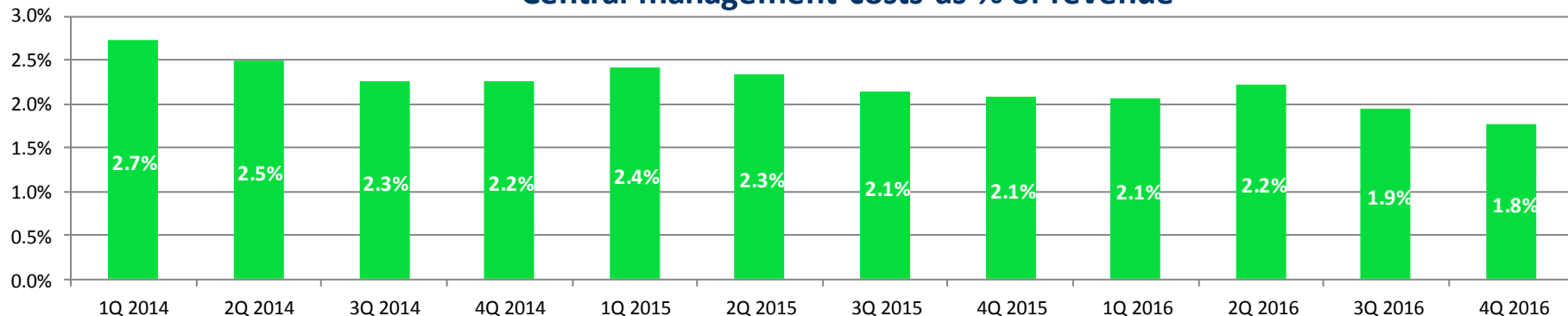
	Q1-Q4 2015	Q1-Q4 2016
Revenue from product sales	1 799.0	1 882.4
Store operating costs	413.3	418.0
<i>Operating costs as % of revenue</i>	<i>23.0%</i>	<i>22.2%</i>
EBITDA	117.5	119.1
<i>% EBITDA</i>	<i>6.5%</i>	<i>6.3%</i>

/PLNm/

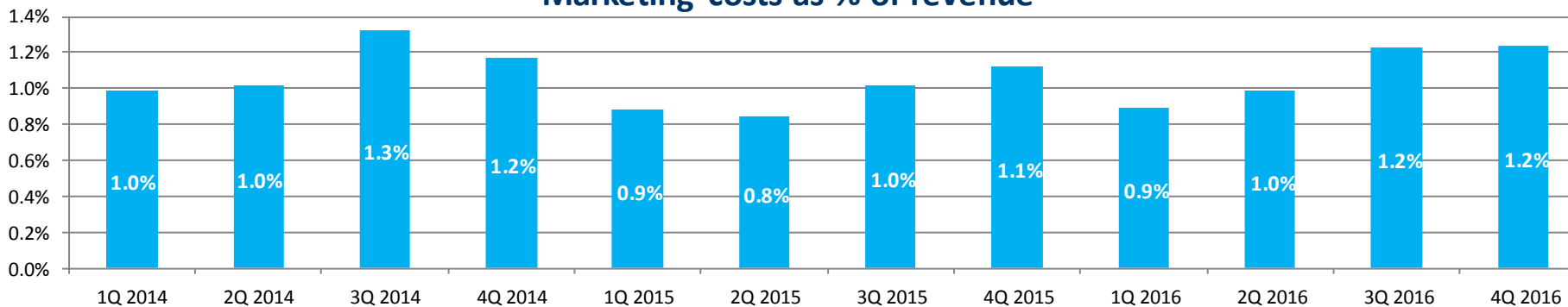
\* 240 Stokrotka stores operating at the end of 2014

# Retail – central office

## Central management costs as % of revenue



## Marketing costs as % of revenue

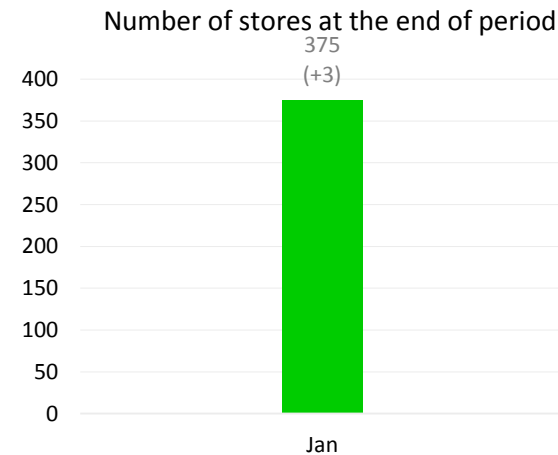
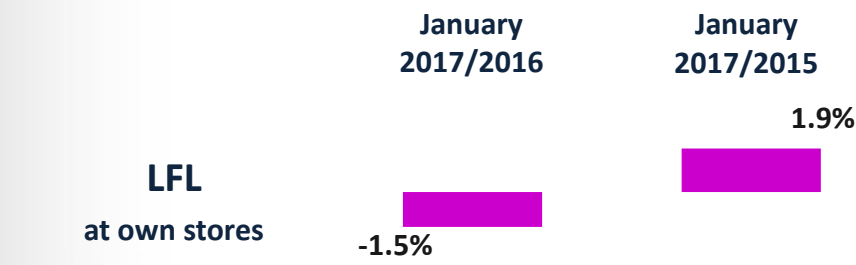
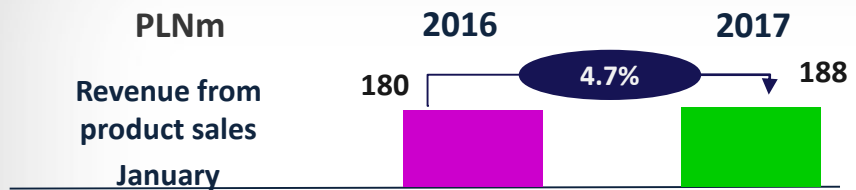


# Retail segment – developments

- Implementation of recommendations from productivity improvement project
- Growth in wages for store employees
- Improvement in fresh product availability indicator
- Preparations to launch first convenience stores
- Final arrangements regarding launch of another distribution centre
- Next phase of project intended to reduce product losses
- Implementation of external firm's recommendations regarding pricing policy
- Implementation of new interesting customer loyalty programmes
- Organisational changes related to growth



# Retail segment – preliminary sales results



# *Property segment*

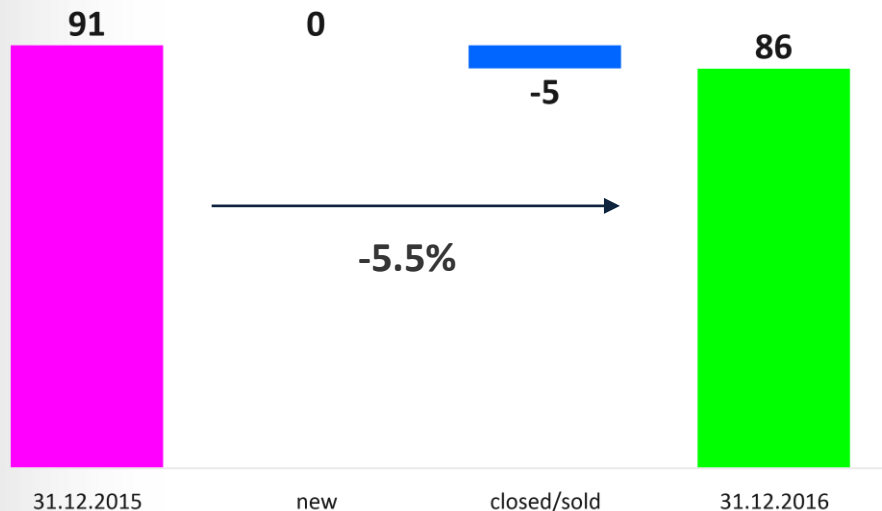
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# Property segment

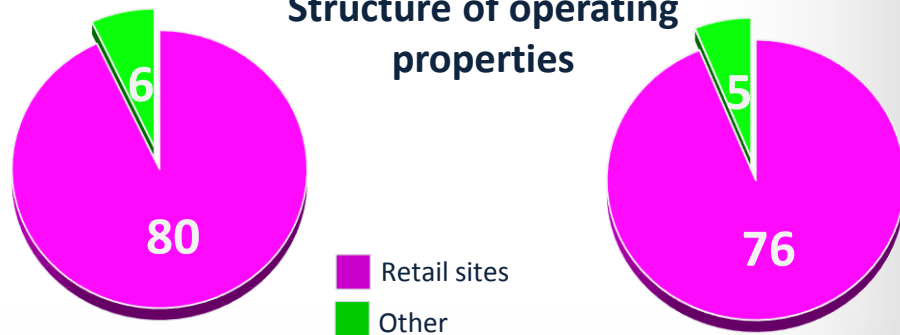
Change in number of properties



Q4 2015 Type of property Q4 2016



Structure of operating properties



# Property segment

## NOI\* (in PLNm)

	Number of facilities	Average monthly NOI in Q4 2016
NOI – operating facilities	81	3.5
including retail sites	76	3.2

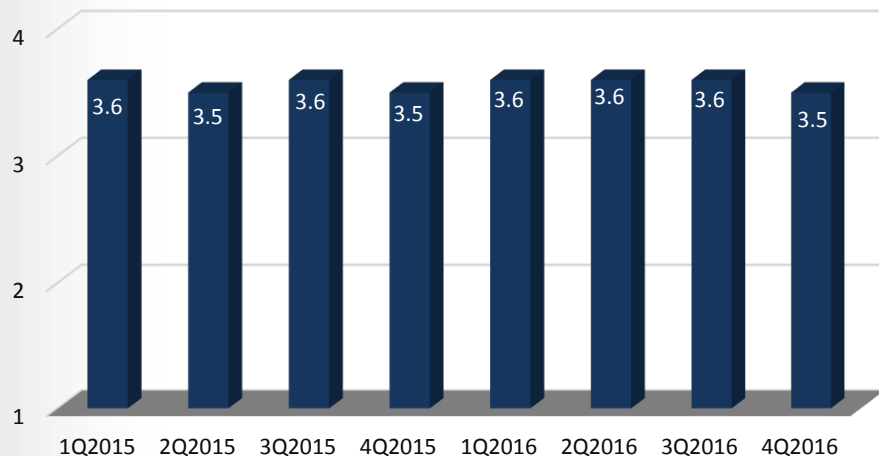
\* NOI (net operating income) is defined as the difference between a property's operating revenue and operating costs, less depreciation

## Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	53.4	29.5
Average lease rate [PLN per sqm]	44.1	39.4

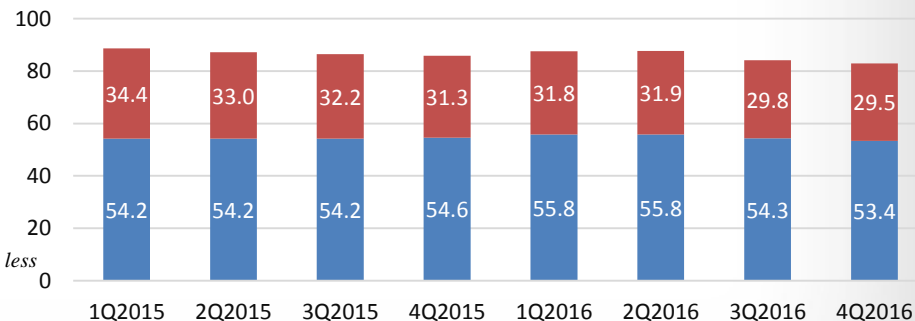
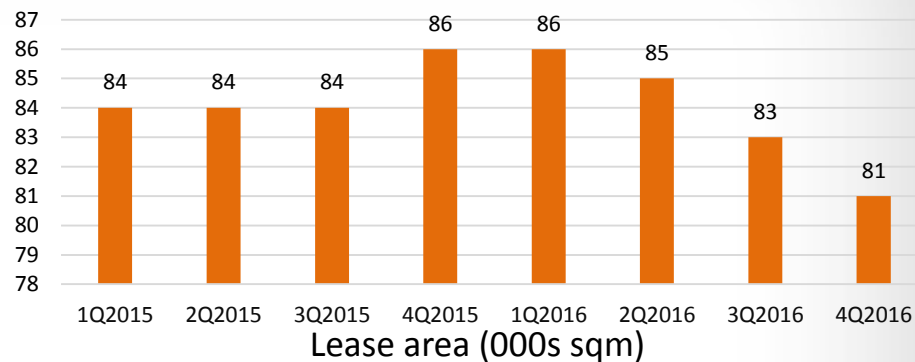
# Property segment

## Average monthly NOI\* - operating facilities



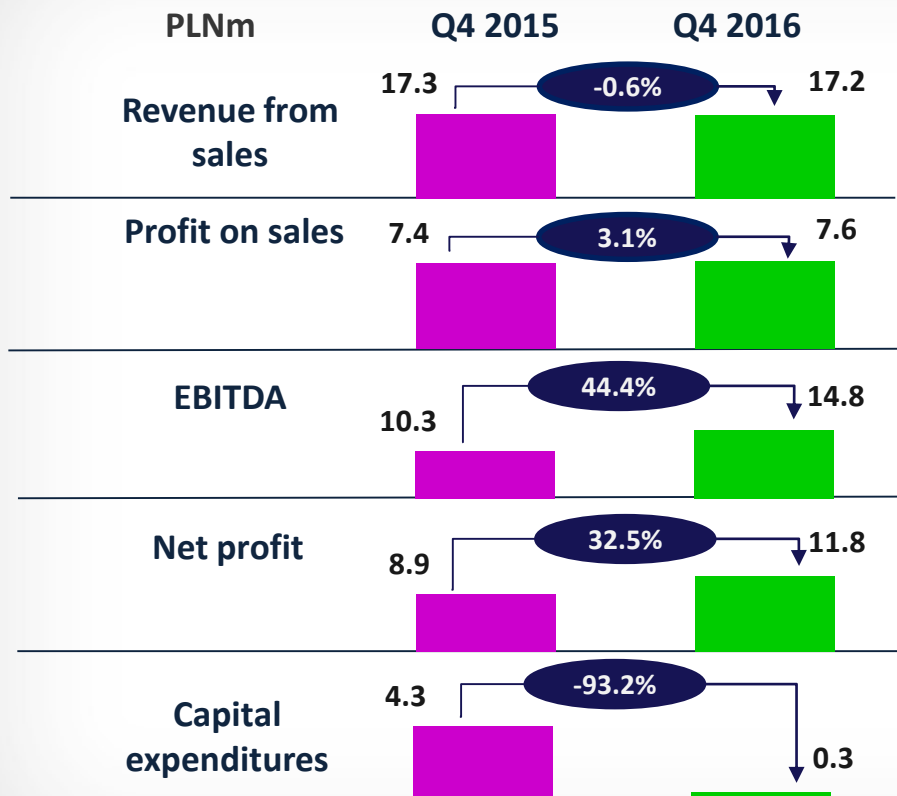
\* NOI (net operating income) for a property is the difference between operating revenue and operating costs, less depreciation; in PLNm.

## Number of operating facilities



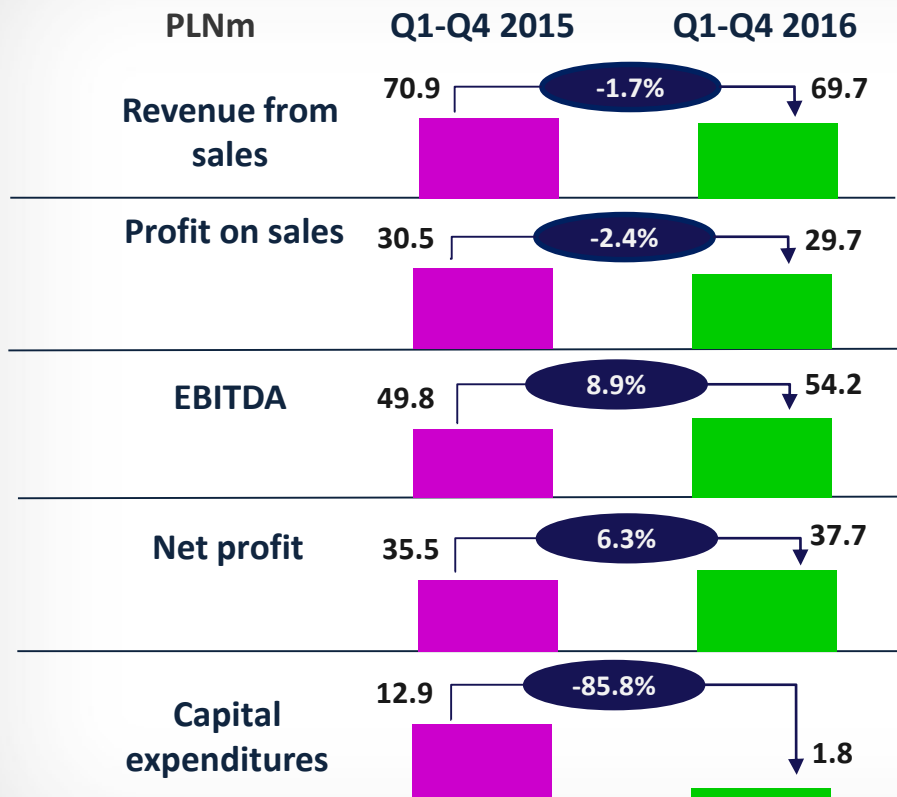
■ related tenants ■ other tenants

# Property segment – Q4 2016 financial results



- Gross result on property sales in Q4 2016: PLN 4.9m (PLN 4.7m net), and in Q4 2015: PLN 0.2m (PLN 0.2m net)

# Property segment – Q1-Q4 2016 financial results



- Gross result on property sales in Q1-Q4 2016: PLN 13.5m (PLN 11.3m net), and in Q1-Q4 2015: PLN 8.2m (PLN 8.1m net)

*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.



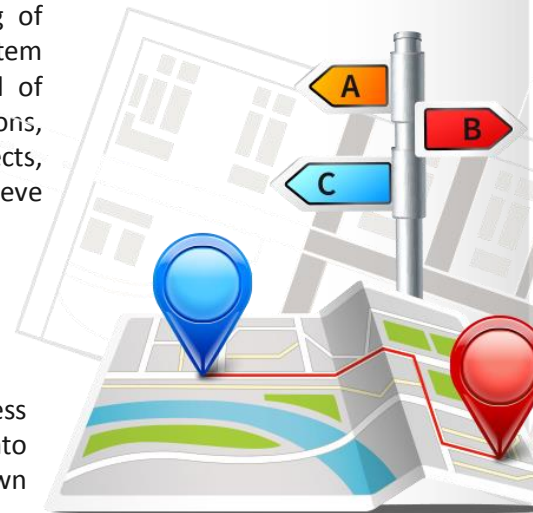
**Infinite SFA** is a solution supporting the handling of processes and tasks by mobile employees. The system improves productivity whilst ensuring a high level of customer service. Thanks to a wide array of functions, the application features reporting for key work aspects, as well as planning and defining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



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



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.

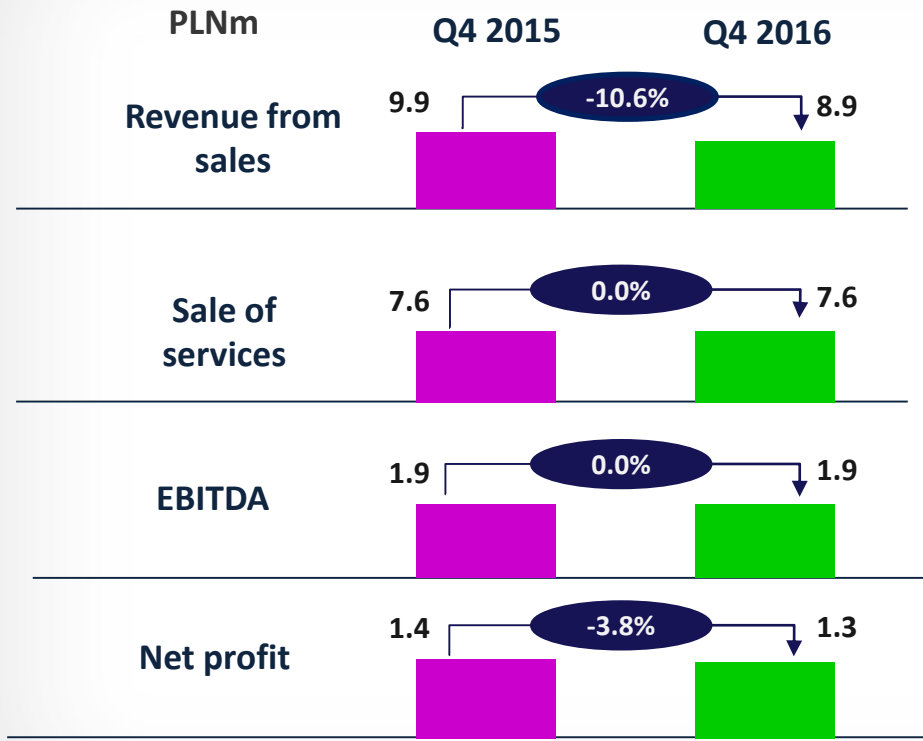


Comprehensive package of **IT services** for business, covering: service and purchase of computer, network and accounting equipment from renowned manufacturers, which is guaranteed by Service Level Agreements adapted to client requirements.



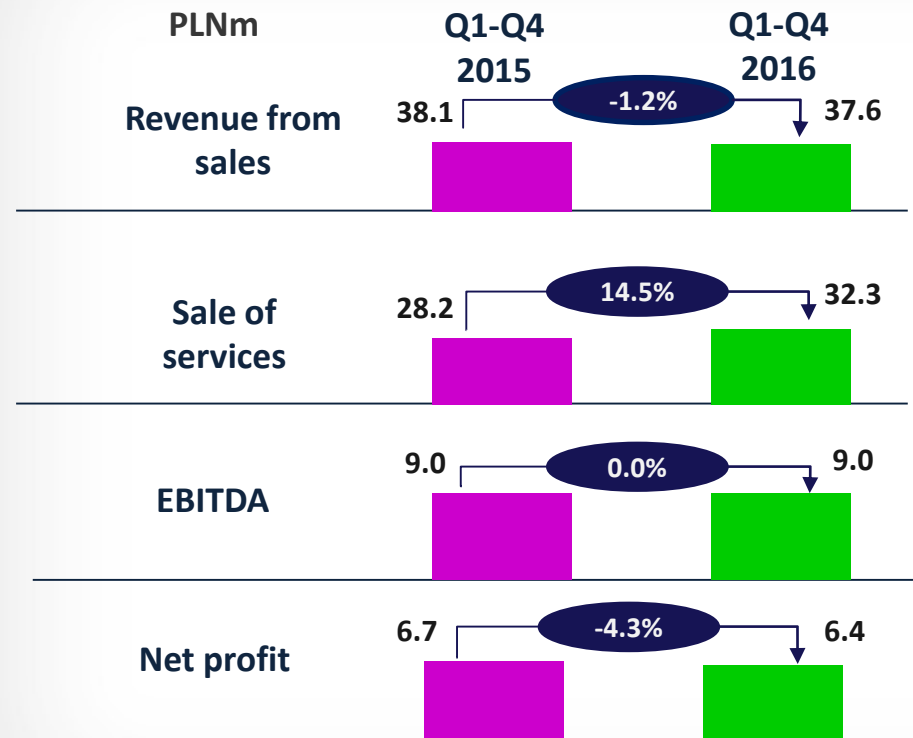


# IT segment – Q4 2016 financial results



- Product development
- Growth in service sales in Q4 2016 by 0.4%, including to external entities by 3.1%
- Share of external revenue in Q4 2016: 69.9%; in Q4 2015: 72.4%

# IT segment – Q1-Q4 2016 financial results



- Product development
- Entry into new sectors - banking
- Growth in service sales in Q1-Q4 2016 by 14.5%, including to external entities by 17.2%
- Share of external revenue in Q1-Q4 2016: 72.2%; in Q1-Q4 2015: 70.5%

# *Corporate governance*

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# Corporate governance 2016

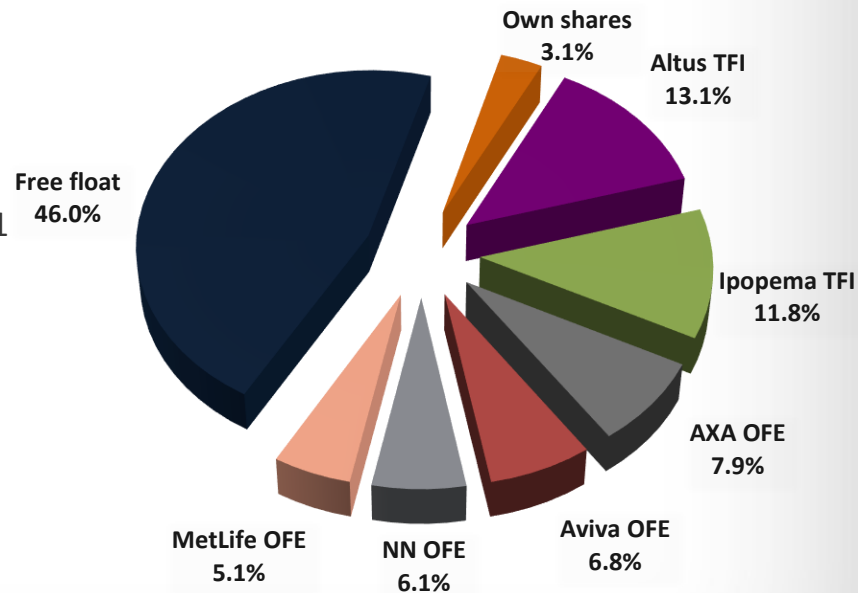
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as of 28 February 2017: 384 153 (3.11%), including 300 334 purchased in Q1-Q4 2016 for PLN 18.8m
- Launch of process to analyse strategic options to speed up retail segment growth
- Completion of settlement of incentive schemes for 2010-2011

Number of registered shares: 12 342 027

Number of shares publicly traded: 11 957 874

## Shareholding structure

(as per the Company's latest data)



# Decision by Tax Control Office regarding Emperia Holding S.A.

- 31 January 2017 - receipt of a decision by the Head of the Tax Control Office in Lublin issued in inspection proceedings regarding CIT for 2011
- Company's tax liability amounting to PLN 143m and PLN 52m in interest
- The Decision, issued by a first instance body, is not final and enforceable
- The Company does not agree with these findings and the legal assessment carried out by the Head of the Tax Control Office in the decision
- The circumstances of the matter and the accusations made by the Tax Control Office were analysed by renowned representatives of academia, tax law and corporate law, who consider the position of the Tax Control Office to be completely unjustified and in violation of the law
- Emperia has appealed the decision to the Head of the Tax Chamber in Warsaw
- The Company sees no grounds for recognising a provision for the amounts of tax liabilities indicated in the decision

# Thank you for your attention

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