

# *Emperia*

*Grupa Kapitałowa*

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*Q1 2017*

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# Significant events in Q1 2017

- Launch of 11 new stores
- Effect of holiday shift on results
- Labour market conditions: wage growth and record low unemployment
- Buy-back programme continued
- On-going tax proceeding

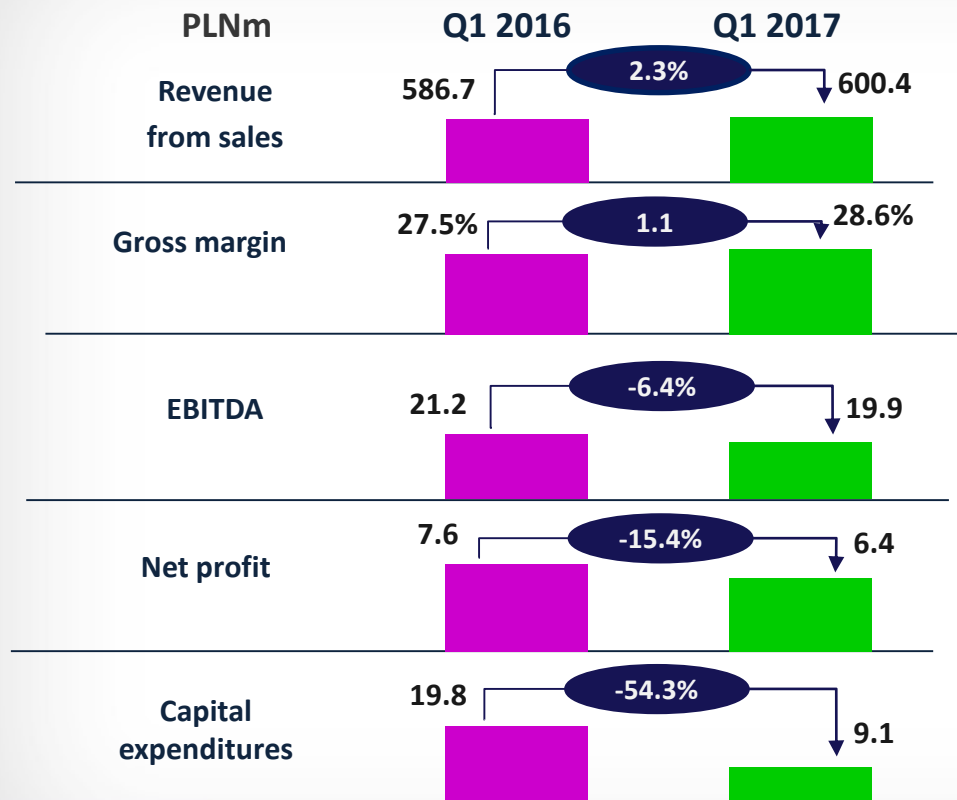


# *Emperia Group*

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*Grupa Kapitałowa Emperia*

# Emperia Group – Q1 2017 financial results

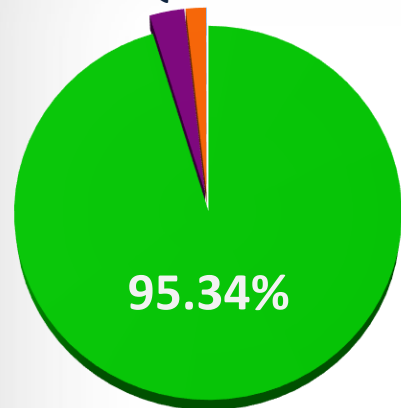


- Holiday shift and shorter February
- Significant raises for basic employees at stores and warehouses from 1 January 2017
- Store closure costs in Q1 2017: PLN 0.2m, Q1 2016: PLN 0.8m
- Store opening costs in Q1 2017: PLN 0.3m, Q1 2016: PLN 1.8m
- Financing from the State Fund for the Rehabilitation of the Disabled (PFRON) concerning previous periods in Q1 2017: PLN 2.1m, Q1 2016: none
- Corporate income tax at Elpro Development in Q1 2017: PLN 1.0m, Q1 2016: none

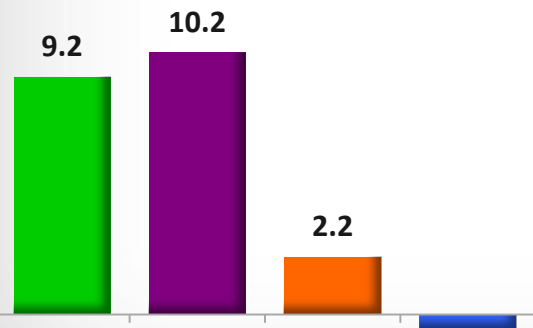
# Emperia Group – financial results

Q1 2016

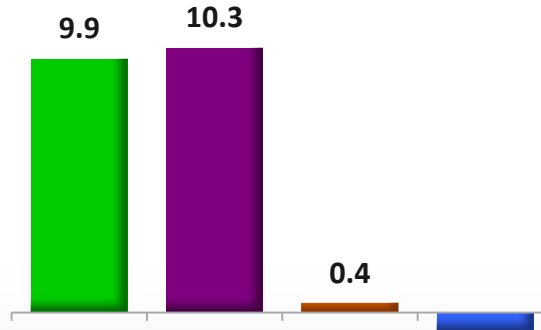
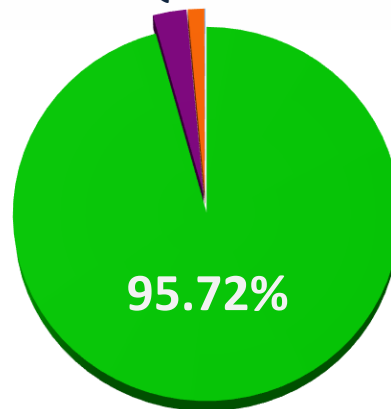
Revenue  
from sales



EBITDA  
(in PLNm)



Q1 2017



# Emperia Group – balance sheet

PLNm	Q1 2016	2016	Q1 2017
Goodwill	52.0	52.0	52.0
Property, plant and equipment	527.3	510.6	509.2
Net working capital	-83.5	-89.3	-76.9
Other	7.1	9.1	8.9
<b>Invested assets</b>	<b>502.9</b>	<b>482.4</b>	<b>493.2</b>
Borrowings	2.4	1.7	1.4
Cash and cash equivalents	91.7	146.4	136.7
<b>Net debt</b>	<b>-89.3</b>	<b>-144.7</b>	<b>-135.3</b>
<b>Equity</b>	<b>592.2</b>	<b>627.1</b>	<b>628.5</b>

- Increase in cash over the past 12 months by PLN 45.0m despite dynamic growth
- Proceeds from asset disposals, decreased by corporate income tax, in the past 12 months: PLN 27.4m
- Buy-back expenditure in the past 12 months: PLN 12.7m, CAPEX: PLN 45.8m

*Retail*

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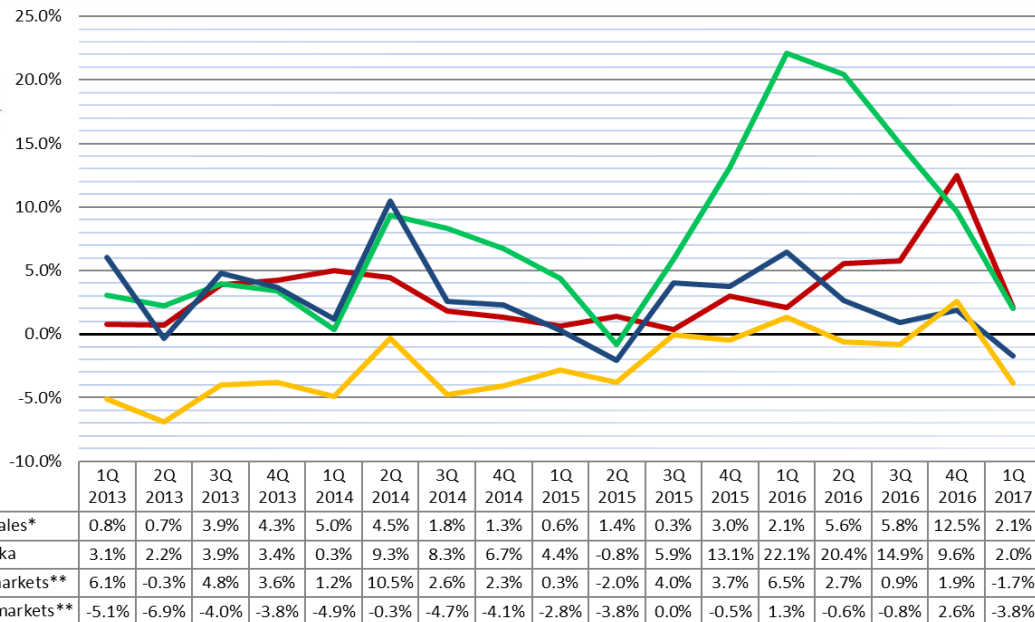
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# Poland's retail market 2013-2017

## Quarterly change in sales value y/y

nielsen



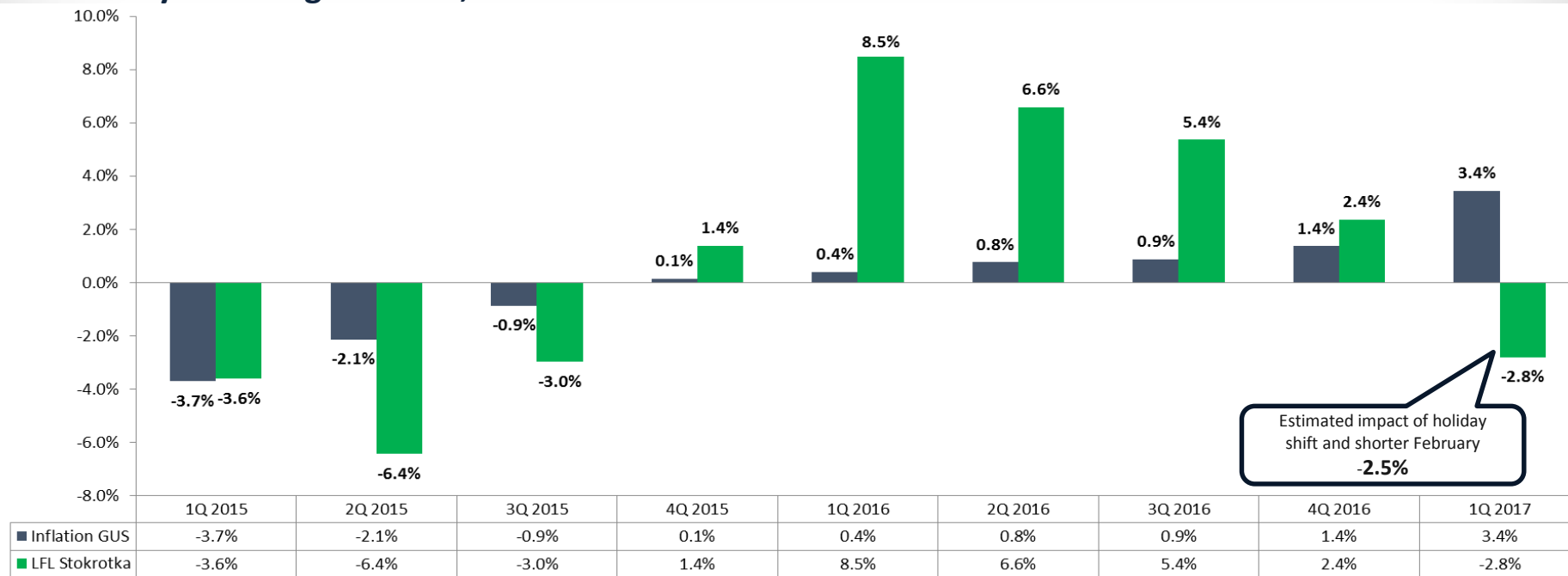
- According to GUS, retail sales in Q1 2017 advanced 2.1% on the previous year.
- According to Nielsen, first-quarter sales at Stokrotka increased by 2.0% from the year before, while the Supermarkets segment saw a 1.7% decline y/y, and the Hypermarkets segment decreased by 3.8%, compared to the previous 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)

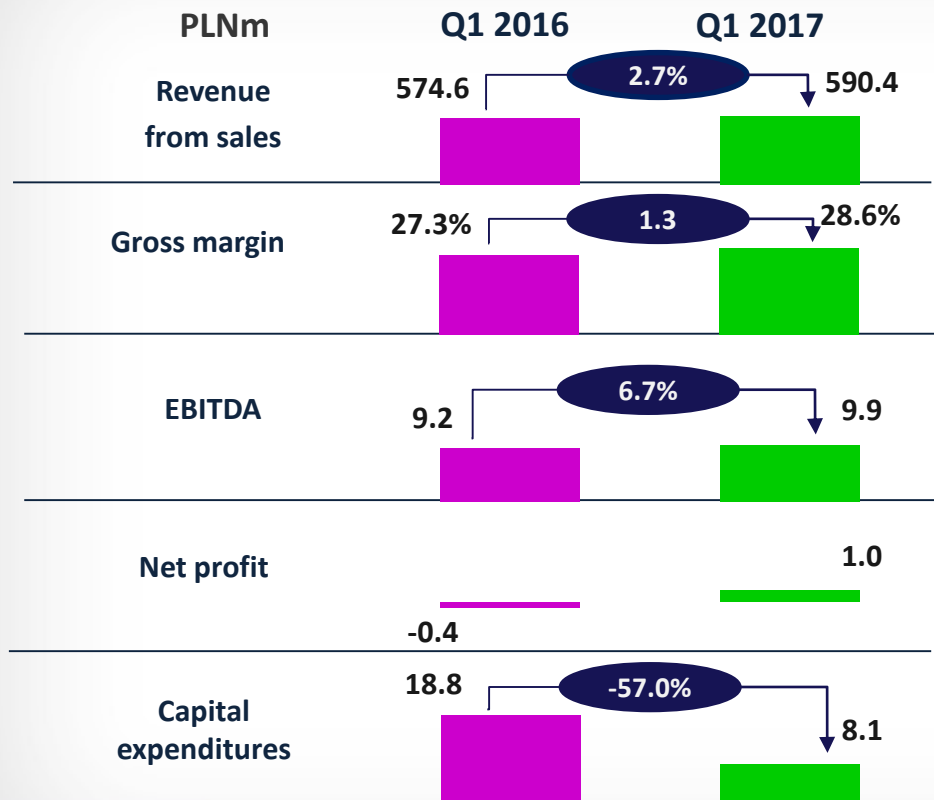
# LFL sales – Stokrotka

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



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

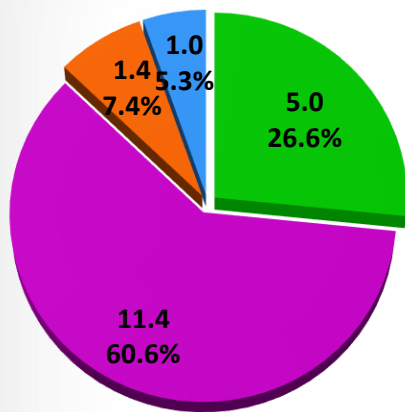
# Retail segment – Q1 2017 financial results



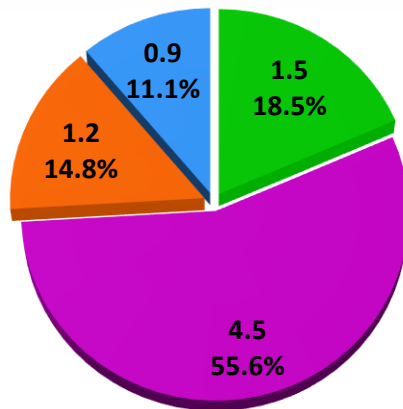
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# Retail segment – CAPEX

Q1 2016



Q1 2017

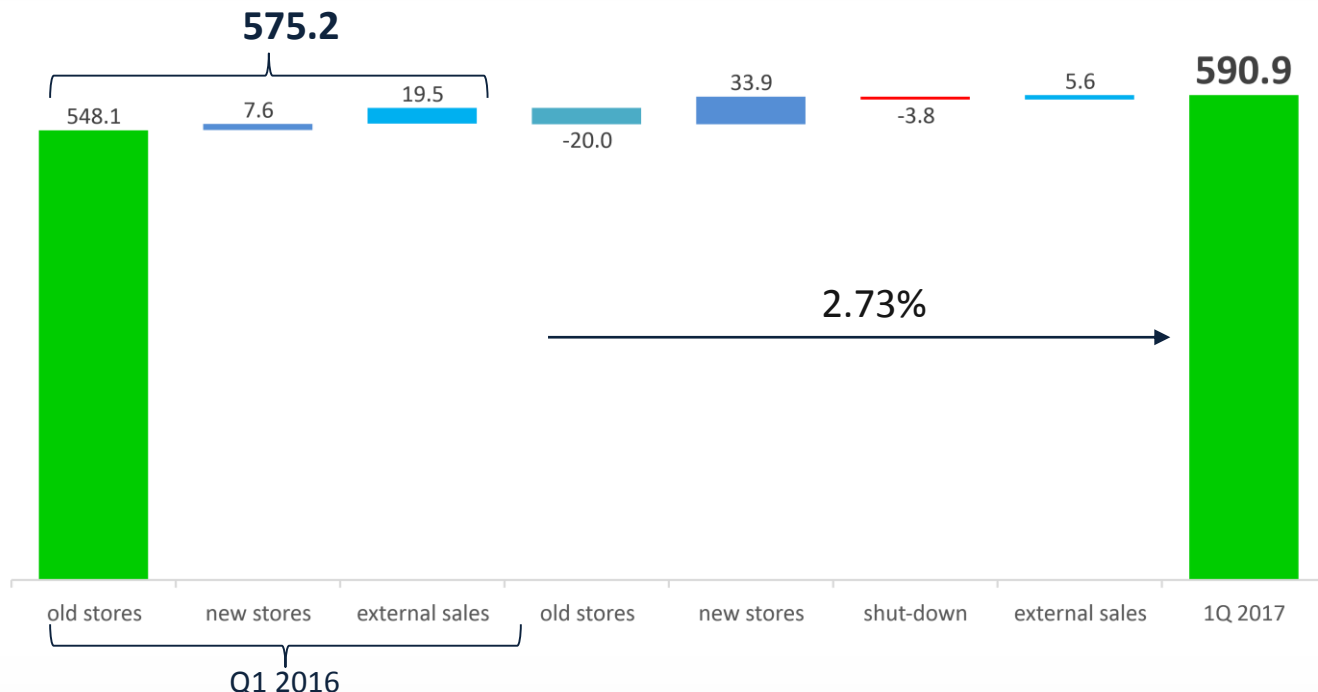


- Site renovations
- Store fittings
- IT equipment and systems
- Motor vehicles



# Retail segment – sales drivers in Q1 2017

Change, in PLNm



older sites - stores open as of the end of Q4 2015, newer sites - opened since Q1 2016

# Retail – Stokrotka

## Number of stores

No. of stores at the end of Q4 2016	372
Stores opened in Q1 2017	11
Stores closed in Q1 2017	3
No. of stores at the end of Q1 2017	380

## Average monthly sales per sqm (in PLN)

	Q1 2016	Q1 2017	change
Supermarkets	1 262	1 218	-3.5%
Stokrotka	1 334	1 305	-2.2%

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

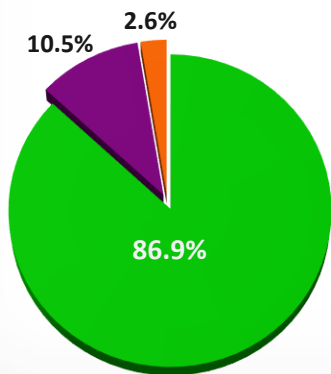
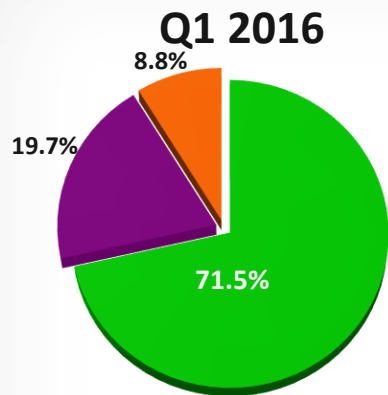
## Stores by format

	Number of stores	Revenue from sales*
own supermarkets	250	489.4
own markets	83	76.3
franchise stores	47	20.9
stores shut-down	3	0.2

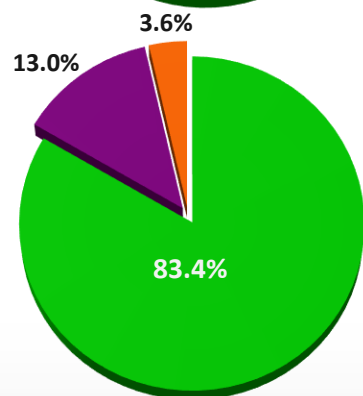
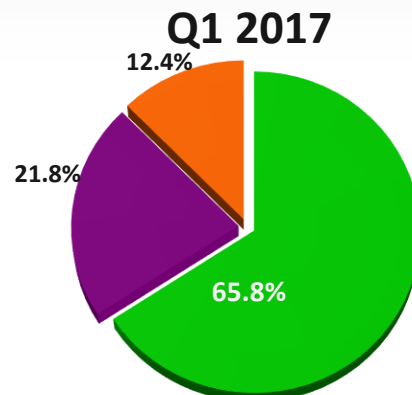
\* / in PLNm /

- 7 markets and 4 franchise store opened
- Total floor area of stores opened in Q1 2017 was 4 243 sqm.
- CAPEX per new own store: PLN 0.51m

# Retail segment – structure by format in Q1



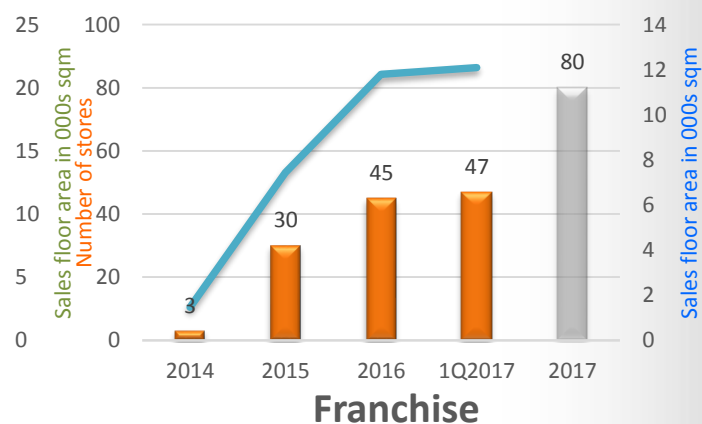
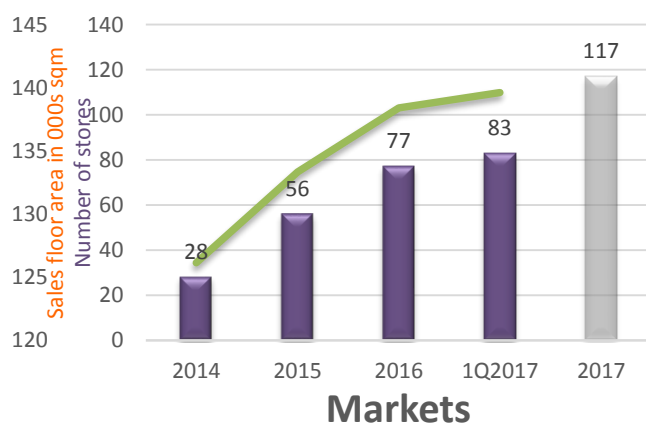
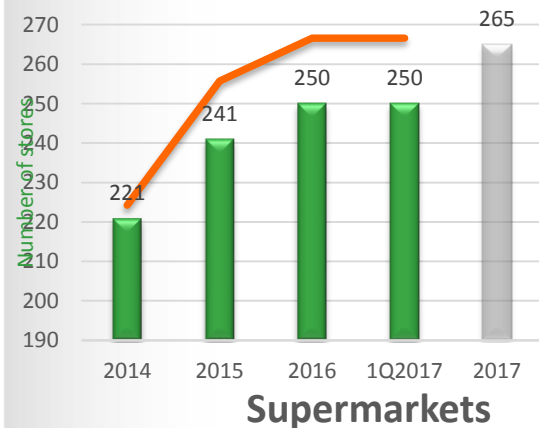
Number of stores



Sales value

# Retail segment – structure by format

90 stores expected to open in 2017





# Retail segment – working capital turnover

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Inventory turnover	46.4	48.5	47.7	45.5	49.3
Receivables turnover	5.9	5.8	6.0	6.6	7.0
Payables turnover	69.9	70.7	63.2	71.7	69.8
Cash conversion cycle	-17.6	-16.4	-9.5	-19.6	-13.5

*Turnover ratios presented in days*

# Stokrotka – store profitability\*

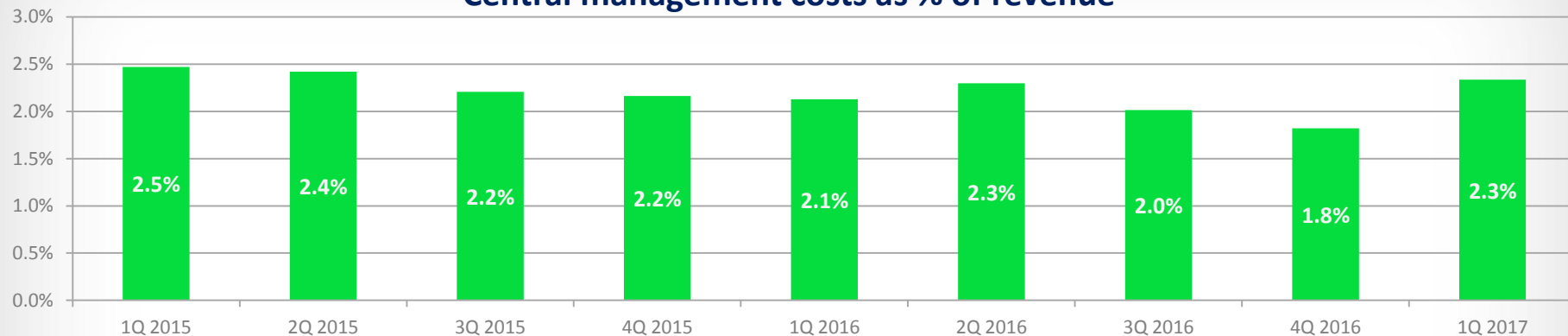
	Q1 2016	Q1 2017
Revenue from product sales	539.7	519.0
Store operating costs	121.3	125.6
<i>Operating costs as % of revenue</i>	<i>22.5%</i>	<i>24.2%</i>
EBITDA	26.4	24.1
% EBITDA	4.9%	4.6%

/PLNm/

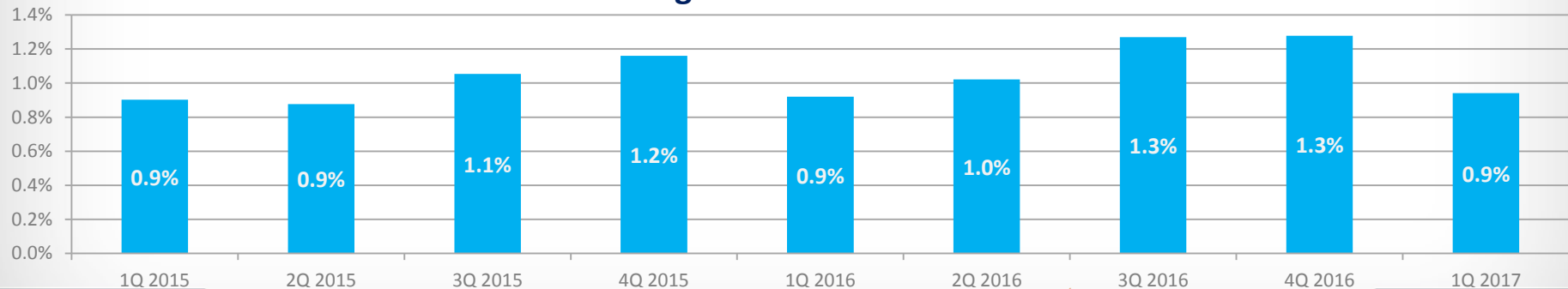
\* 290 Stokrotka stores operating at the end of 2015

# Retail – central office

Central management costs as % of revenue



Marketing costs as % of revenue

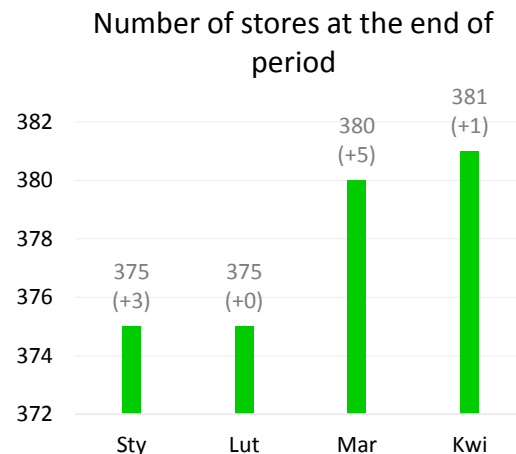
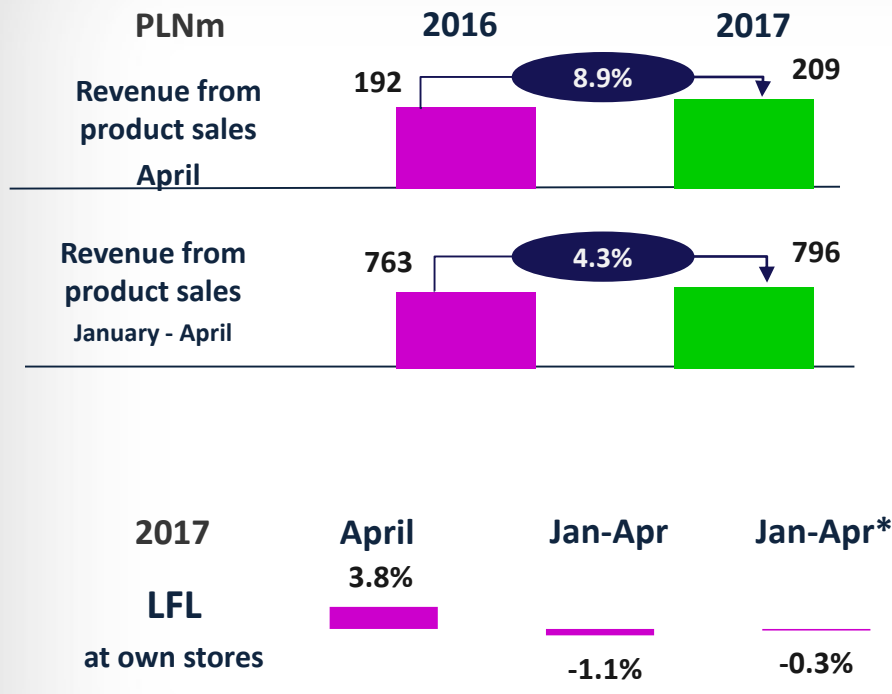


# Retail segment – developments

- Revision of employment levels at stores after wage raise in January
- Work on improving the convenience store model and preparations for further store openings
- Implementation of new inventory management solutions
- Intensified work on own brand products
- Project to expand distribution centre in Lublin
- Preparations for peak in new store openings in second half of the year
- Implementation of new marketing communications on 17 May 2017
- First TV ad campaign - testing TV vs radio effectiveness



# Retail segment – preliminary sales results



\*LFL adjusted by February (shorter by one day)

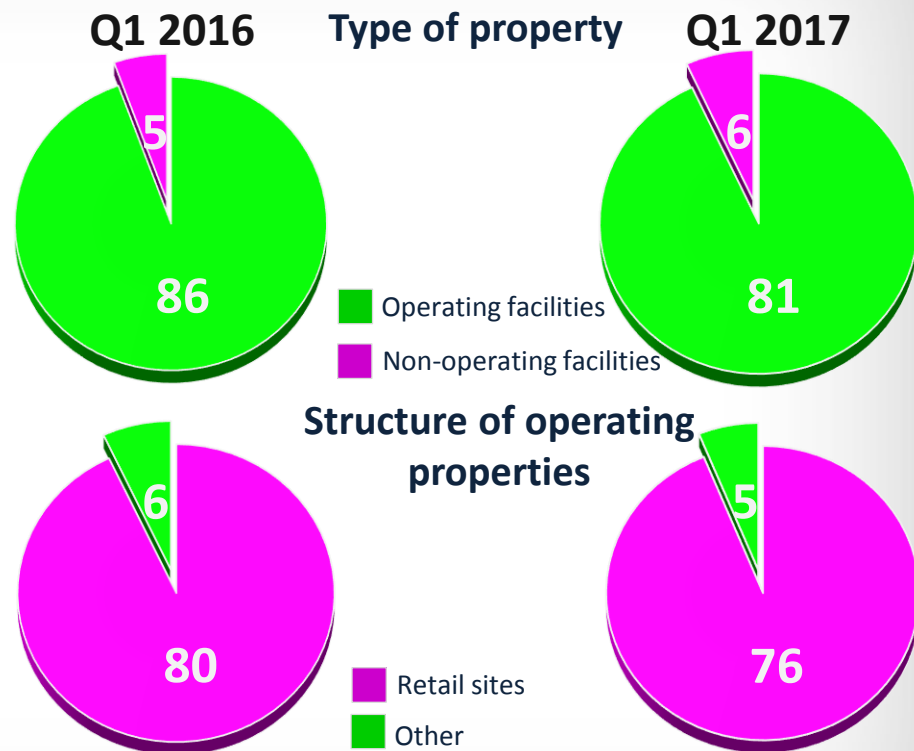
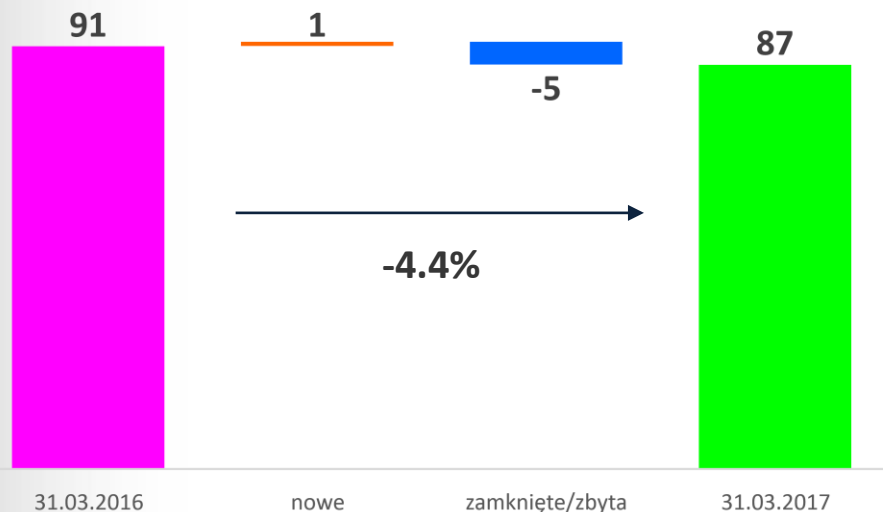
## *Property segment*

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# Property segment

Change in number of properties



# Property segment

## NOI\* (in PLNm)

	Number of facilities	Average monthly NOI in Q1 2017
NOI – operating facilities	81	3.4
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*

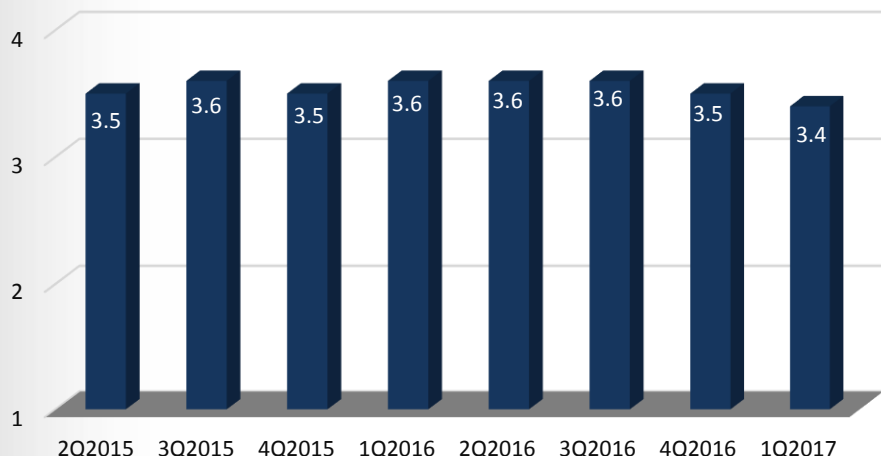
## Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	53.4	29.5
Average lease rate [PLN per sqm]	44.2	40.0



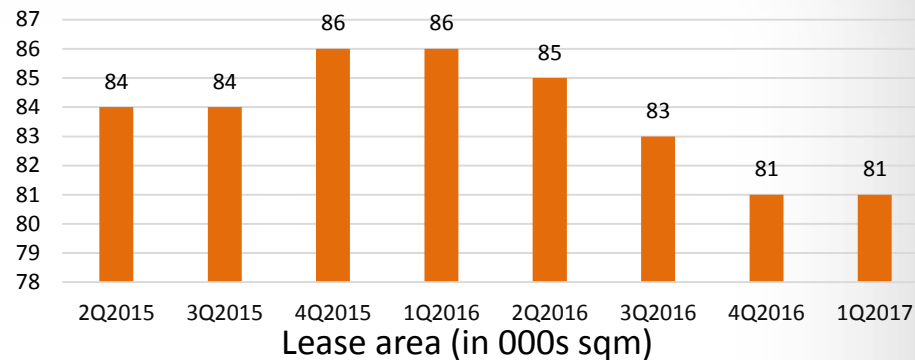
# Property segment

Average monthly NOI\* - operating facilities

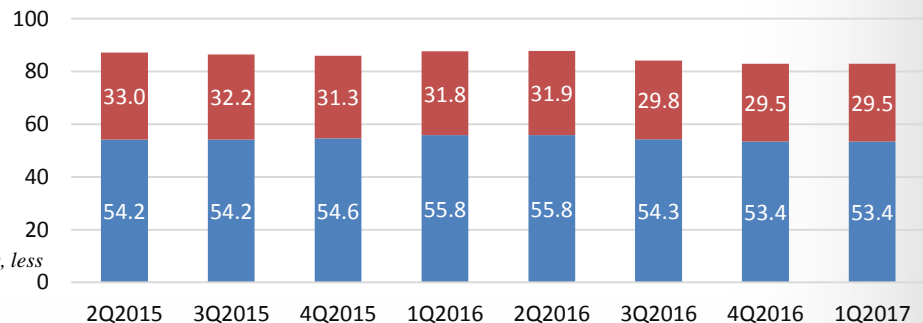


\* NOI (net operating income) for a property is the difference between operating revenue and operating costs, less depreciation; in PLNm.

Number of operating facilities

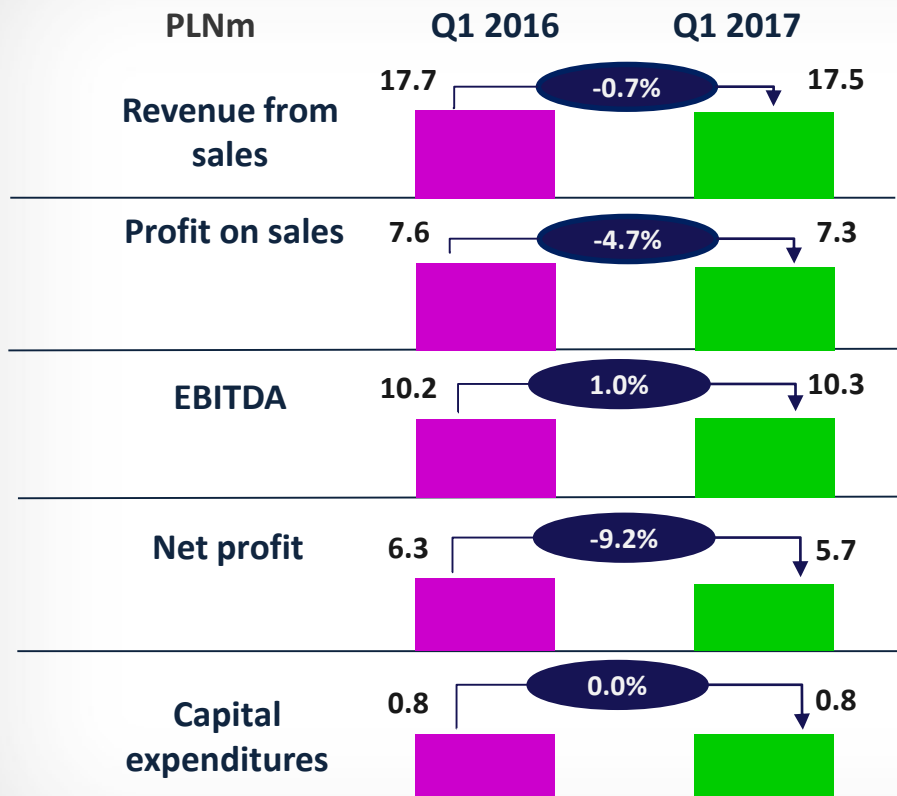


Lease area (in 000s sqm)



■ related tenants ■ other tenants

# Property segment – Q1 2017 financial results



- Corporate income tax at Elpro Development in Q1 2017: PLN 1.0m, Q1 2016: none

*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.



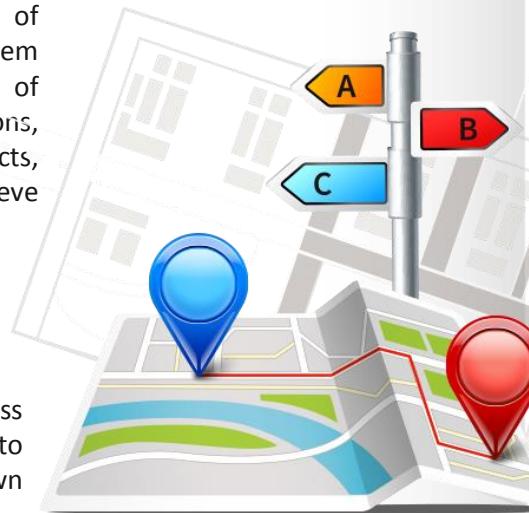
**Infinite SFA** is a solution supporting the handling of processes and tasks by mobile employees. The system improves productivity whilst ensuring a high level of customer service. Thanks to a wide array of functions, the application features reporting for key work aspects, as well as planning and defining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



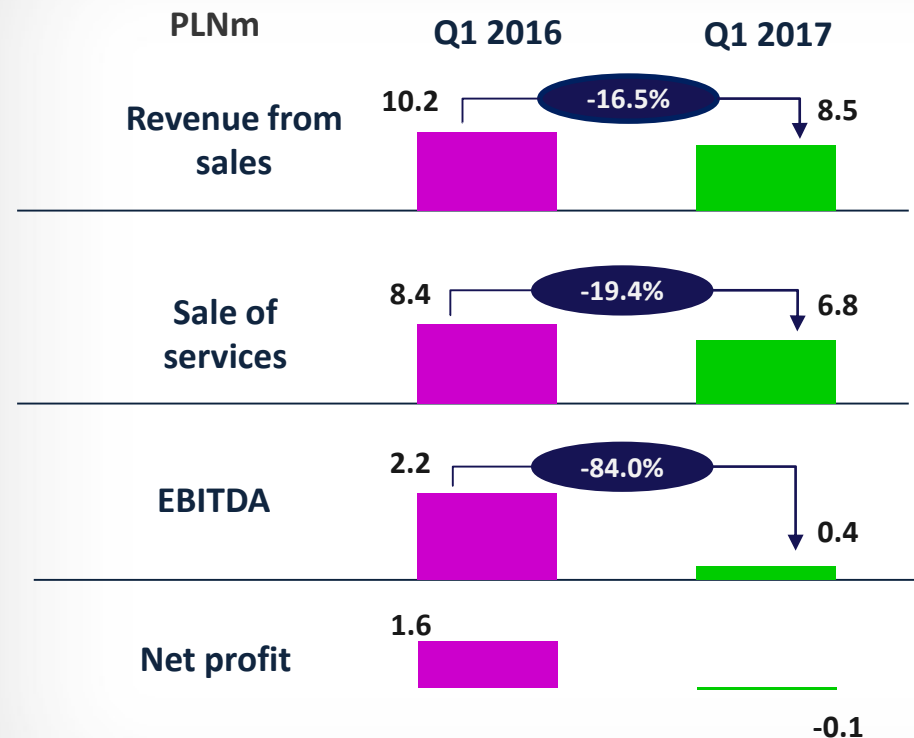
**Infinite RCP** allows companies to more effectively plan and record work time in accordance with the existing Labour Code regulations. The system is used by small, medium and large businesses alike, also those with dispersed and complex organisational structures.



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 – Q1 2017 financial results



- Product development
- Growth in service sales in Q1 2017 by 19.4%, with a decrease in service sales to external entities by 27.7%
- Share of external service revenue in Q1 2017: 66.4%; in Q1 2016: 74.0%

# *Corporate governance*

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# Corporate governance 2016

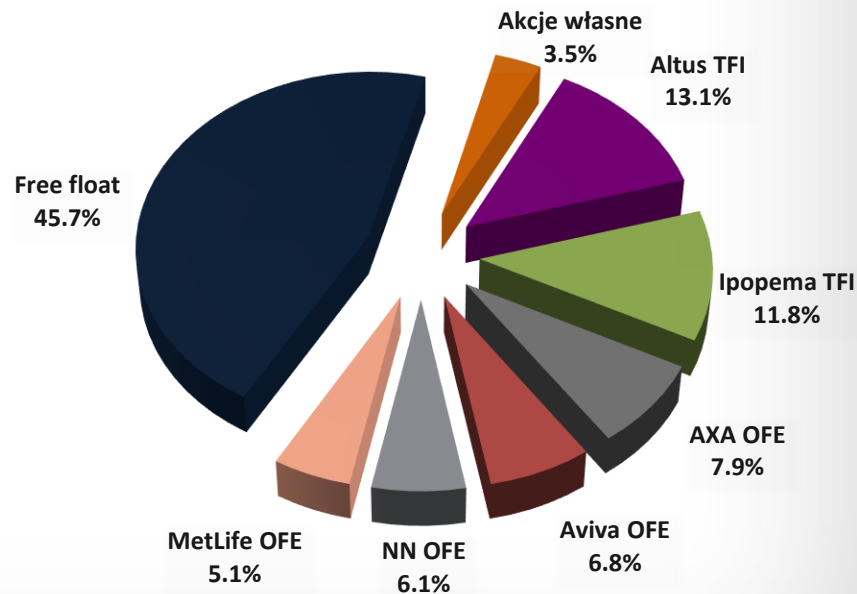
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as at 16 May 2017: 428 237 (3.47%), including 60 246 shares purchased in Q1 2017 for PLN 4.2m

Number of registered shares: 12 342 027

Number of shares publicly traded: 11 913 790

## Shareholding structure

(as per the Company's latest data)





# Decision by Tax Control Office regarding Emperia Holding

- 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 have considered that the position of the Tax Control Office is completely unjustified and in violation of the law
- Emperia has appealed the decision
- The Company sees no grounds for recognising a provision for the amounts of tax liabilities indicated in the decision.
- Financing for the tax liability was secured on 27 April 2017.

# Search for investor commences

- 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
- Expected deadline for selecting the investor: Q3 2017
- Rothschild Global Advisory is exclusive adviser in the process

# Thank you for your attention

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