

Emperia Grupa Kapitałowa

Q2 2014



Significant events in Q2 2014

- Lower-than-expected impact of Easter on sales performance
- Deflation in food and non-alcoholic beverages
- Increase in the share of promotional sales
- Above-standard sales margin
- Restructuring of former Delima stores
- Payout of PLN 12.1m dividend
- Buy-back programme continued - PLN 10.4m spent

Emperia Group – operating structure

Retail

Stokrotka

Supermarkets

Property development

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

**Property management
and development**

IT operations

Infinite

**B2B communications
ERP systems for retail**

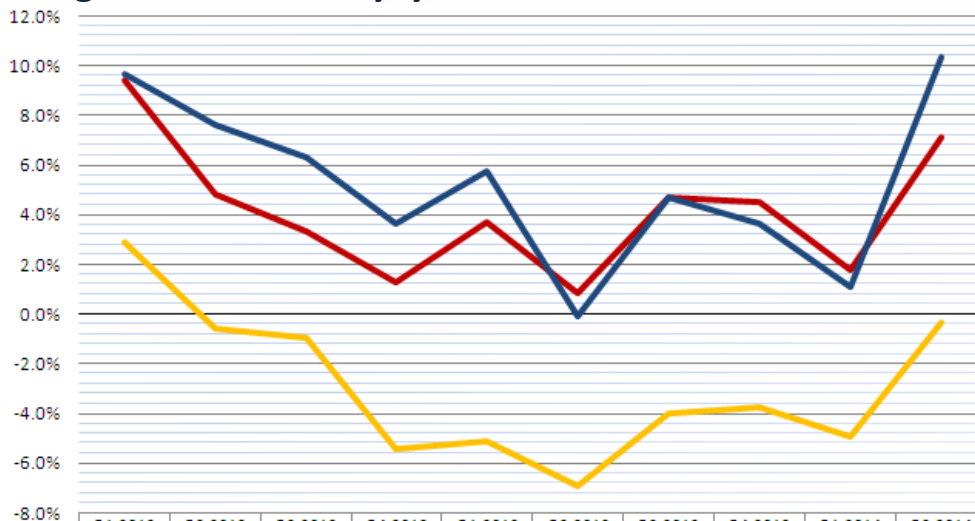
Retail

Grupa Kapitałowa Emperia

Poland's retail market 2012-2014

Quarterly change in sales value y/y

nielsen



	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Sprzedaż detaliczna*	9.4%	4.8%	3.3%	1.3%	3.7%	0.9%	4.7%	4.5%	1.8%	7.1%
Supermarkety**	9.6%	7.6%	6.3%	3.7%	5.8%	-0.1%	4.7%	3.6%	1.1%	10.4%
Hipermarkety**	2.9%	-0.6%	-1.0%	-5.4%	-5.1%	-6.9%	-4.0%	-3.8%	-4.9%	-0.3%

* Retail sales (food, beverages and tobacco products) year to year, GUS data

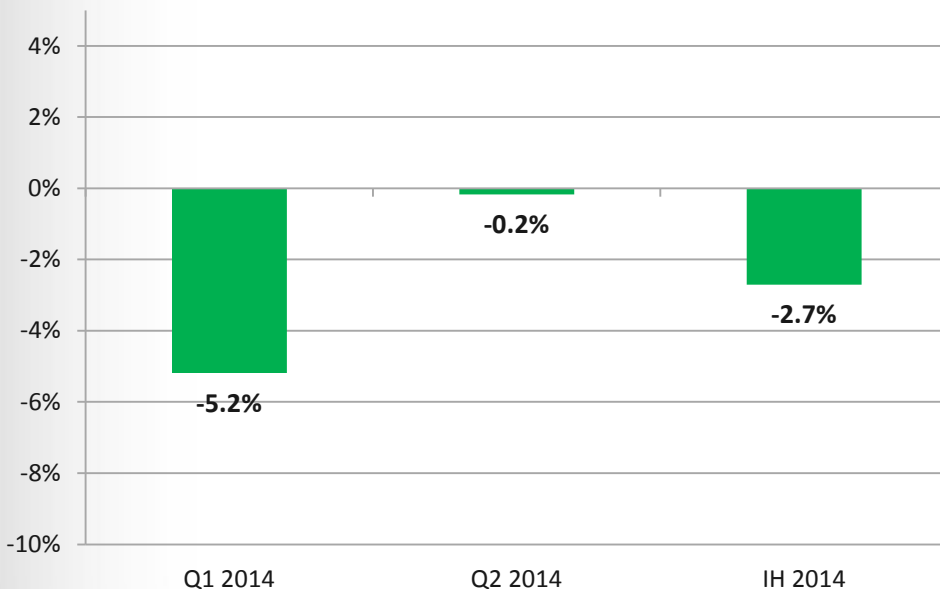
** Nielsen data - overall sales (Hipermarkets: Real, Auchan, Tesco>2500sqm, Carrefour>2500sqm, E. Leclerc>2500sqm,

Supermarkets: Carrefour<2500sqm, Carrefour Market, Simply Market, E. Leclerc <2500sqm, Intermarcne, Netto, Polomarket, Stokrotka, Tesco <2500sqm)

- According to Poland's Central Statistical Office (GUS), retail sales in Q2 2014 increased by 7.1% compared with the previous year.
- According to Nielsen, Q2 2014 sales in the Supermarkets segment grew by 10.4% from the year before, while the Hipermarkets segment saw a 0.3% y/y decline.

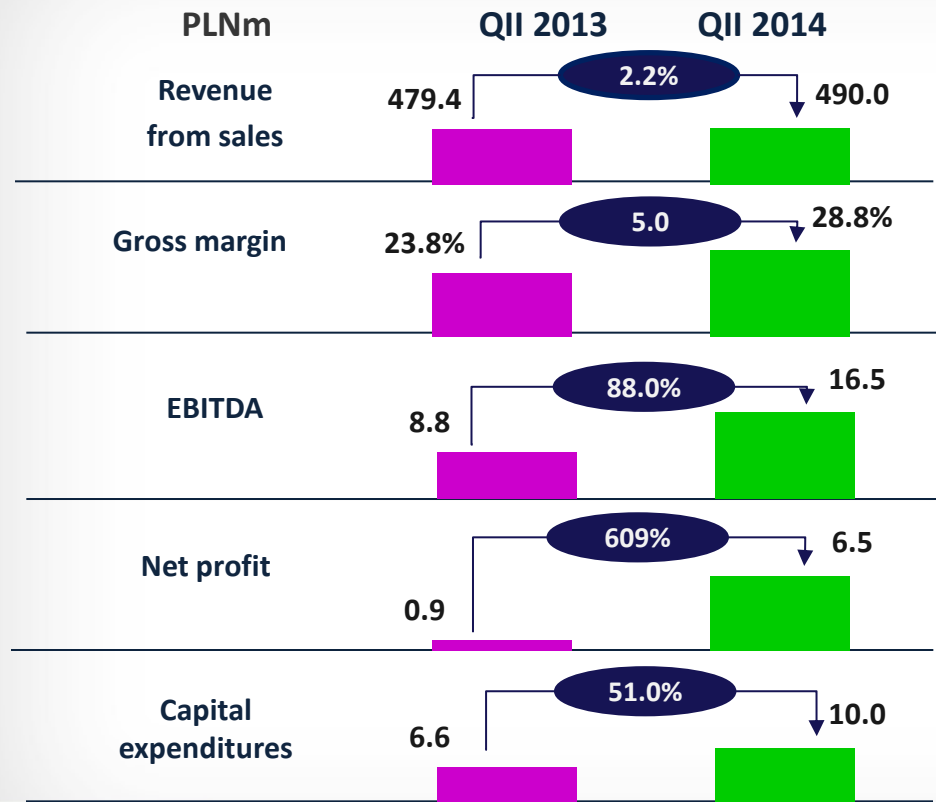
LFL sales – Stokrotka

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



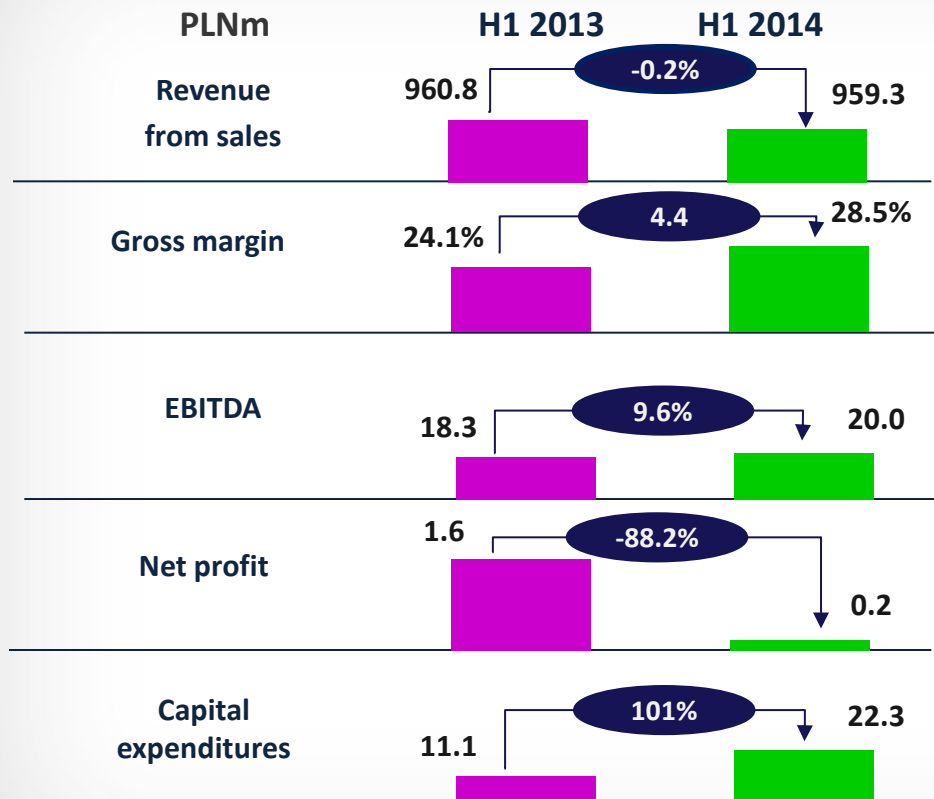
- LFL sales at Stokrotka supermarkets in Q2 2014 fell by 0.2%.
- LFL sales at Stokrotka supermarkets in H1 2014 fell by 2.7%.
- According to GUS, the CPI index in Q2 2014 was 100.3%, and 99.6% for the category 'food and non-alcoholic beverages.'

Retail - Q2 2014 results



- Increase in gross sales margin: 5.0pp
- Logistics costs for the period: PLN 20.3m, constituting 4.14% of revenue from sales (6.11% of the value of goods transported out, at purchase prices) in Q2 2013 amount PLN 3.1m
- Operating result (gain) on one-off transactions concerning Delima reached PLN 6.0m in Q2 2014, alongside PLN 1.2m in deferred income tax
- The second quarter also saw a one-off expense of PLN 0.8m on reduction of floor space and change of format at one Delima store
- Q2 2014 franchise project costs: PLN 0.7m

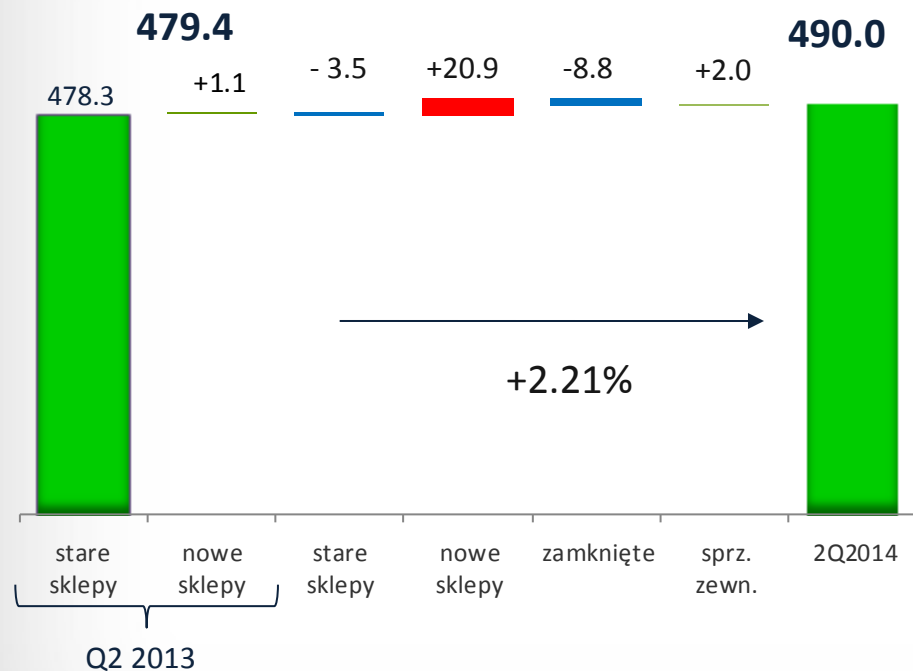
Retail – H1 2014 results



- Increase in gross sales margin: 4.4pp
- Estimated transaction costs regarding the merger of retail companies: approx. PLN 1m
- Operating result (gain) on one-off transactions concerning Delima reached PLN 5.0m in H1 2014, alongside PLN 1.2m in deferred income tax
- The first half also saw a one-off expense of PLN 0.8m on reduction of floor space and change of format at one Delima supermarket
- H1 2014 franchise project costs: PLN 1.5m

Retail – sales change drivers in Q2 2014

Change, in PLNm



- Higher relevance of new sites
- Commencement of sales to franchise stores

older sites - stores open as at 2013 year-end, new sites - opened since Q2 2013

Retail – Stokrotka

Number of stores


No. of stores at the end of Q1 2014	240
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Stores opened in Q2 2014	2
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Stores closed in Q2 2014	1
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No. of stores at the end of Q2 2014	241
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Average monthly sales per sqm (in PLN)

	Q2 2013	Q2 2014	change
Supermarkets	1 295	1 339	3.4%
Stokrotka	1 272	1 281	0.7%

- Two new Stokrotka supermarkets opened
- One Delima store closed
- Total floor area of stores opened in Q2 2014: 1 557 sqm
- CAPEX per new store: PLN 1.27m

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

Stores by format

	Number of stores	Revenue from sales*
own supermarkets	217	470.0
own markets	23	17.6
franchise supermarkets	1	1.4
franchise markets	0	0.0
stores shut-down	1	0.4

* / in PLNm /

Remodeling, change of floorplan and rebranding

Number of stores

	Q2 2014	Total
remodeling	1	5
floorplan	15	19
rebranding	33	111

Estimated expenditure in 2014 /PLNm/

	CAPEX	Costs
remodeling	5.2	1.6*
floorplan	1.2	0.3
rebranding	0.8	0.6

* including PLN 0.7m in lost margin

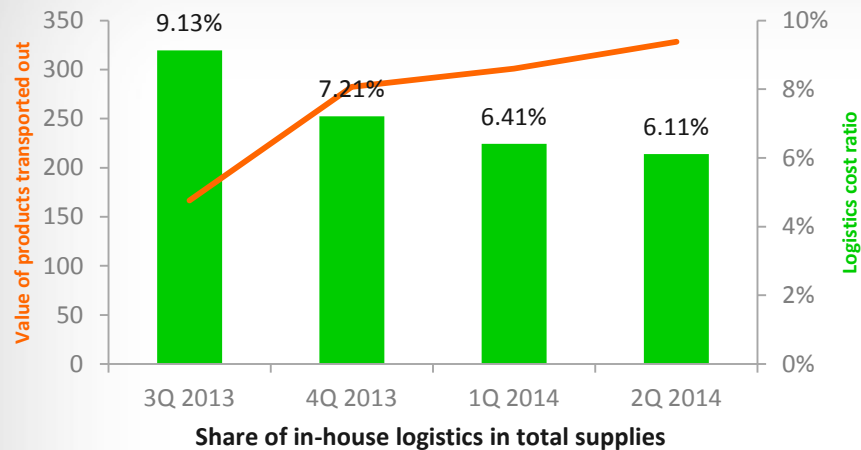
Retail – working capital turnover

	H1 2013	2013	H1 2014
Inventory turnover	35.0	42.2	47.5
Receivables turnover	6.5	5.8	7.0
Payables turnover	52.2	66.3	63.2
Cash conversion cycle	-10.7	-18.3	-8.7

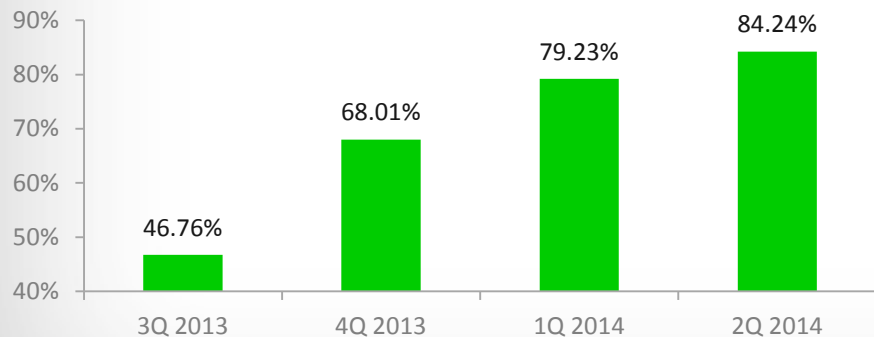
- Increased product procurement at the end of H1 2014
- Above-standard level of liabilities

Turnover ratios presented in days

Retail – in-house logistics



Share of in-house logistics in total supplies



- Target level of store supplies using in-house logistics reached in Q2 2014

Near-term performance drivers:

- Transport system optimisation (central hub-regional warehouses)
- Improved productivity at the Teresin central hub

Retail – on-going activities

Sales and marketing

- Assortment optimisation
- Roll out and further development of the Stokrotka Market store concept
- Continued chain rebranding (111 stores as at the end of Q2 2014)
- Remodeling of supermarkets
- Completion of a project to improve Stokrotka's price perception

Logistics

- Full product assortment introduced to in-house logistics
- Continuous improvement of the logistics system

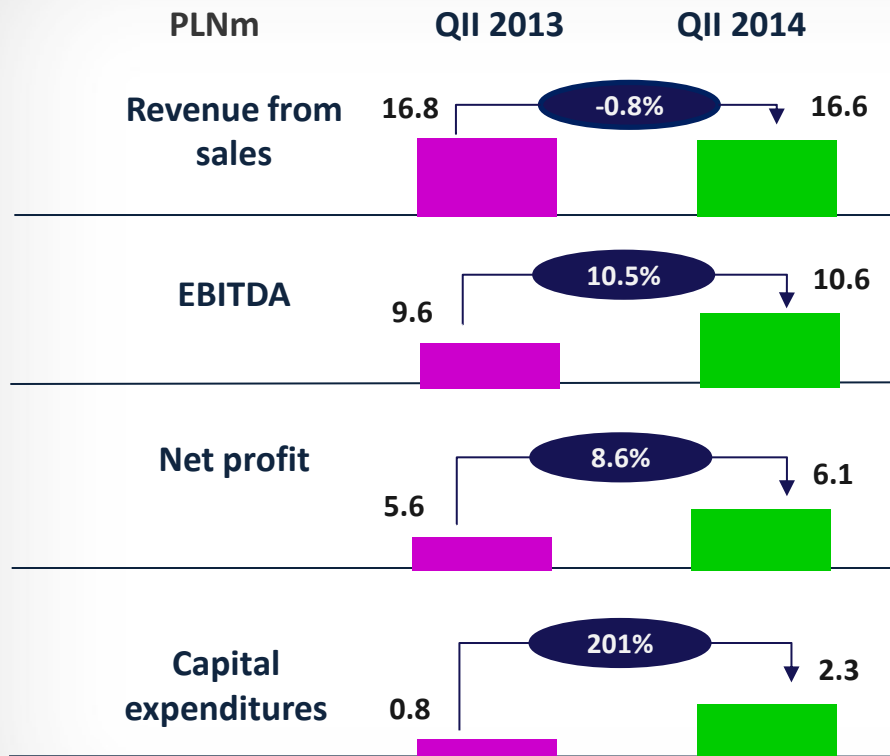
Store operations area

- Cost optimisation
- Implementation of new sales methods – active sales
- Introduction of new remuneration systems

Property development

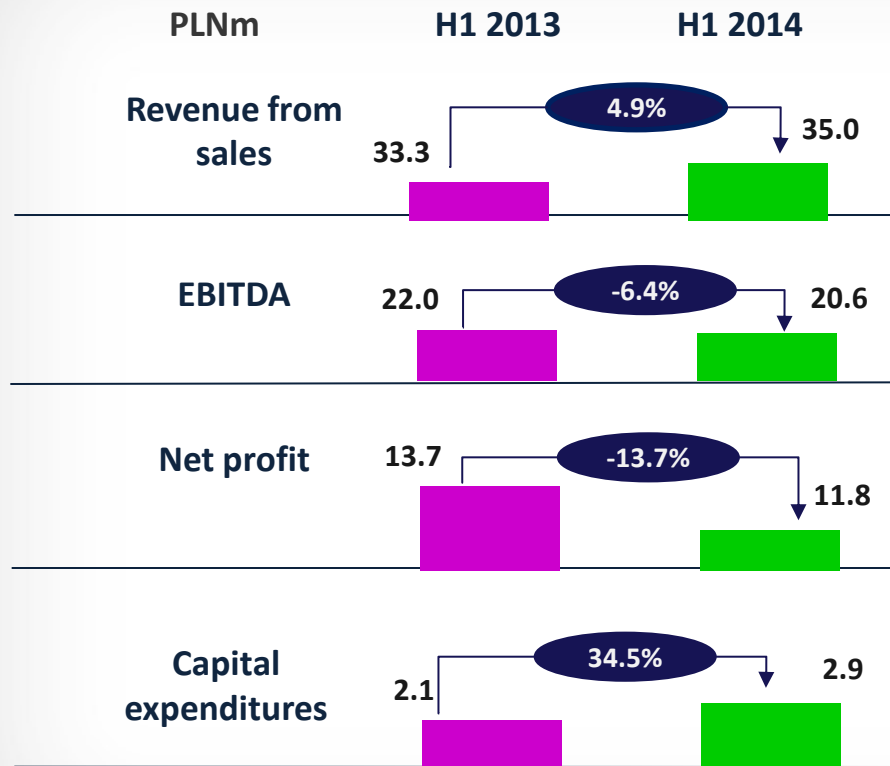
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Property development – Q2 2014 results



- Result on property disposals in Q2 2014: PLN 0.6m
- Effective tax rate in Q2 2013: 0%, Q2 2014: 16.3% (Q2 2014: PLN 1.2m in tax)

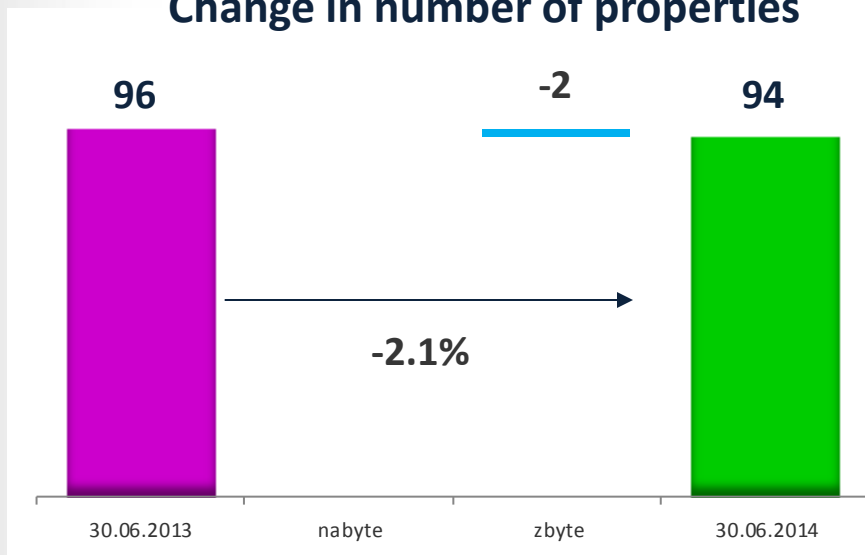
Property development – H1 2014 results



- Result on property disposals in H1 2014: PLN 0.6m, H1 2013: PLN 3.1m
- Effective tax rate in H1 2013: 0%, H1 2014: 15.1% (H1 2014: PLN 2.1m in tax)

Property development

Change in number of properties



Q2 2013 Type of property Q2 2014



Structure of operating properties



Property development

NOI* (in PLNm)

	Number of facilities	Average monthly NOI in Q2 2014
NOI - operating facilities	82	3.4
including retail sites	77	3.4

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

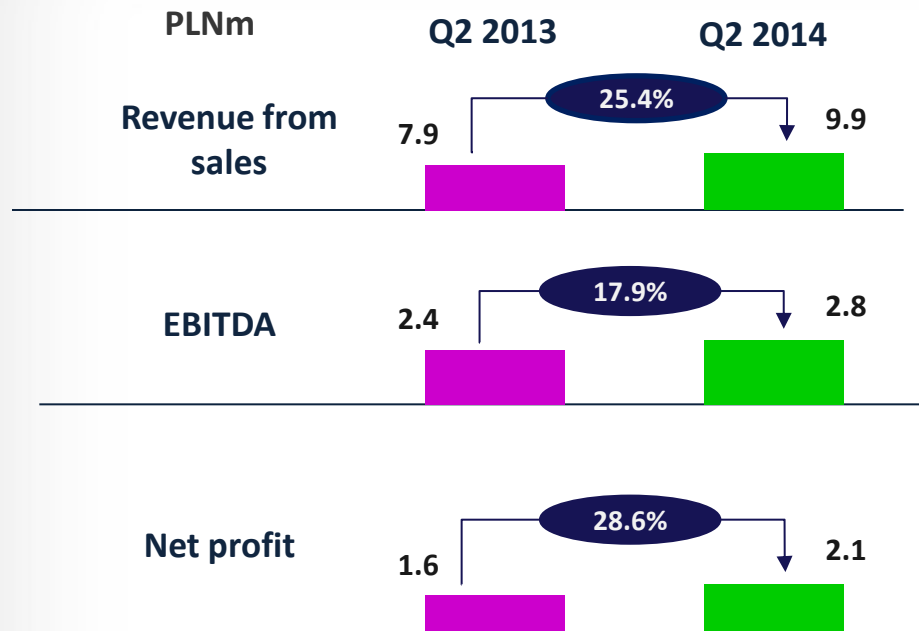
Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	56.4	35.2
Average lease rate [PLN per sqm]	43.5	39.4

IT business

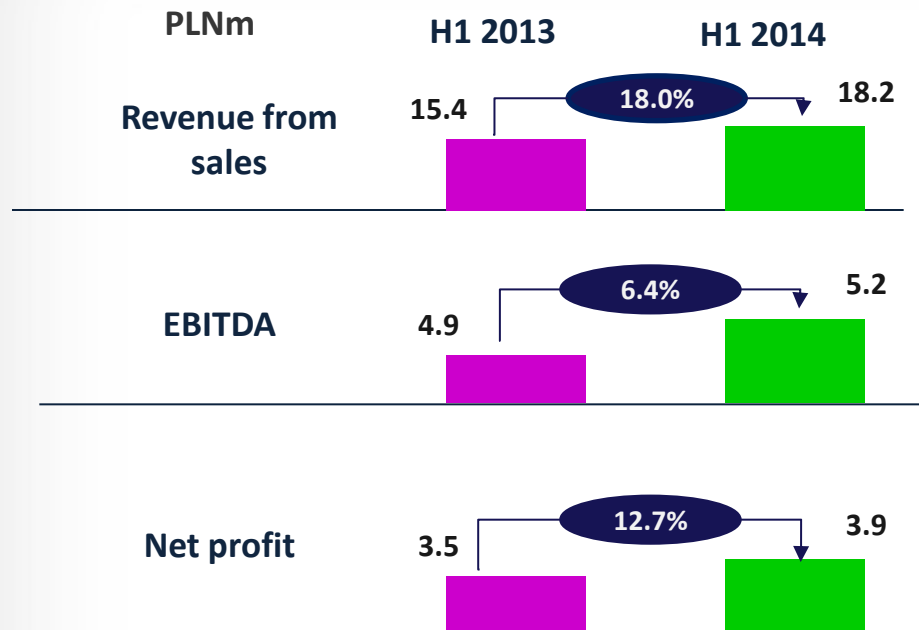
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IT business – Q2 2014 results



- Share of external revenue in Q2 2014: 67.4%; in Q2 2013: 57.8%
- Revenue structure: Q2 2014: 66.95% services, 33.05% products; Q2 2013: 80.0% services, 20.0% products

IT business – H1 2014 results

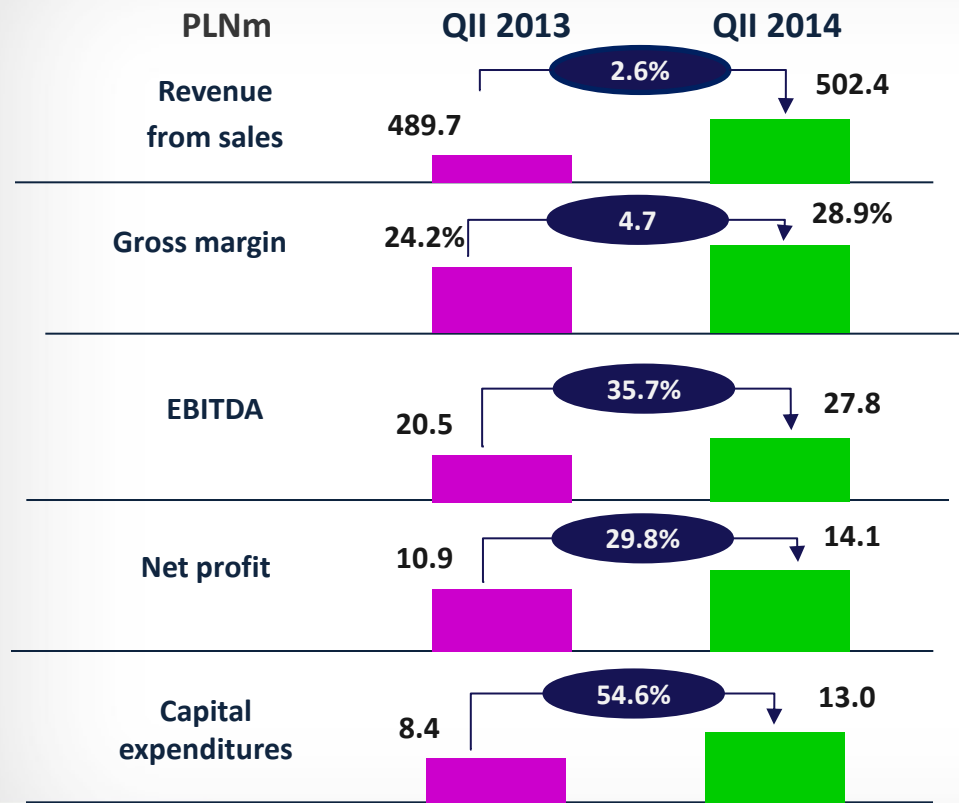


- Share of external revenue in H1 2014: 62.45%; in H1 2013: 62.98%
- Revenue structure: H1 2014: 72.09% services, 27.91% products; H1 2013: 83.93% services, 16.07% products

Emperia Group

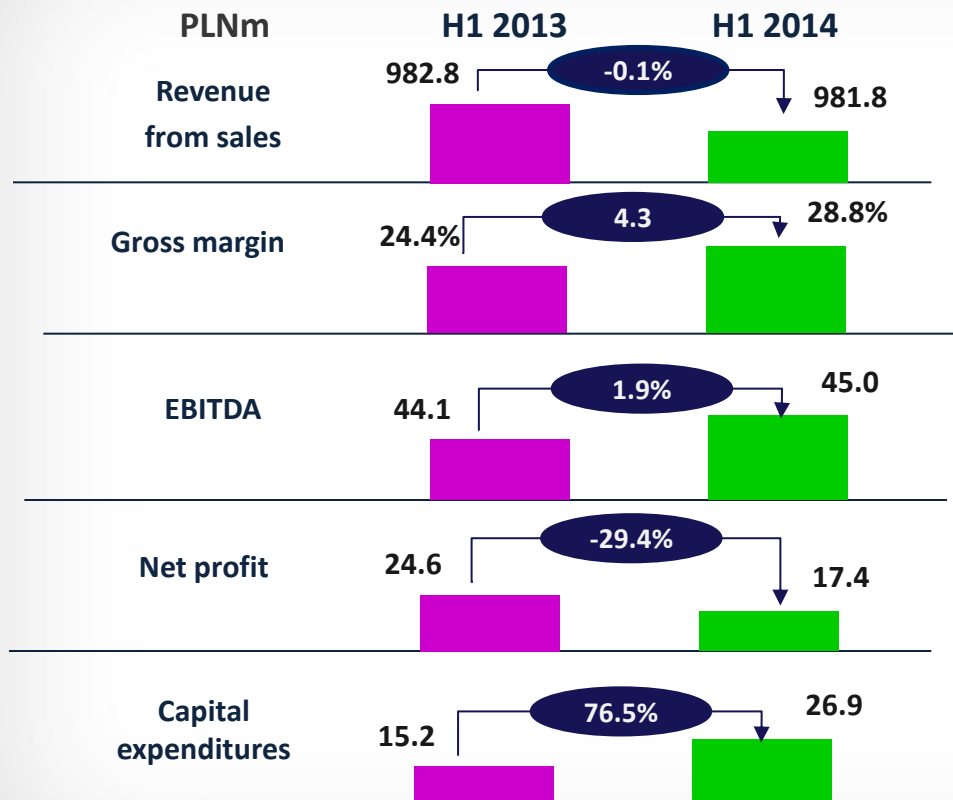
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Emperia Group – Q2 2014 results



- Result on property disposals: Q2 2014: PLN 0.6m, Q2 2013: no transactions
- Operating result (gain) on one-off transactions concerning Delima reached PLN 6.0m in Q2 2014, alongside PLN 1.2m in deferred income tax
- The second quarter of 2014 also saw a one-off expense of PLN 0.8m on reduction of floor space and change of format at one Delima store
- An increase in tax in the property segment in Q2 2014: PLN 1.2m (change in legal regulations)
- Lower result on financing activities
 - Q2 2013: PLN 1.4m
 - Q2 2014: PLN 0.2m
- Q2 2014 franchise project costs: PLN 0.7m
- Q2 2013 logistics costs: PLN 3.1m

Emperia Group – H1 2014 results

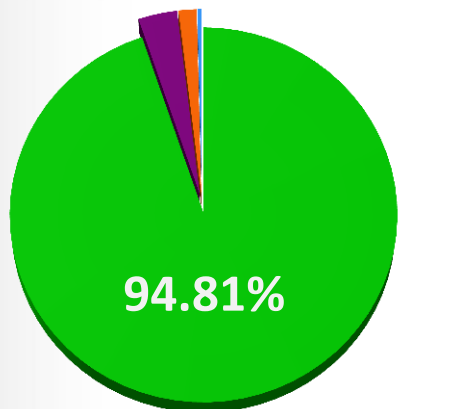


- Result on property disposals in H1 2014: PLN 0.6m, H1 2013: PLN 3.1m
- Operating result (gain) on one-off transactions concerning Delima reached PLN 5.0m in H1 2014, alongside PLN 1.2m in deferred income tax
- An increase in tax in the property segment in H1 2014: PLN 2.1m (change in legal regulations)
- The second quarter of 2014 saw a one-off expense of PLN 0.8m on reduction of floor space and change of format at one Delima store
- Amounts awarded in court from E&Y: PLN 1.8m in H1 2014
- Lower result on financing activities
 - H1 2013: PLN 3.1m
 - H1 2014: PLN 0.6m
- H1 2014 costs connected with merger of retail companies: PLN 1m
- H1 2014 franchise project costs: PLN 1.5m
- Q2 2013 logistics costs: PLN 3.1m

Emperia Group – results

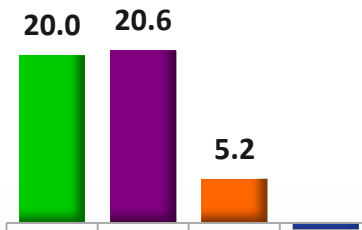
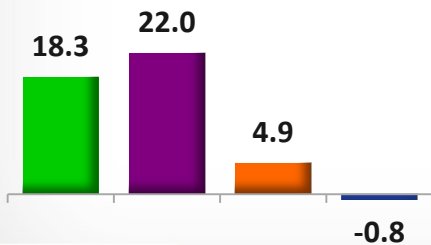
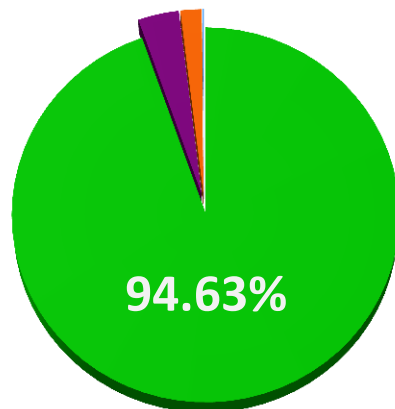
H1 2013

Revenue structure



H1 2014

EBITDA
(in PLNm)



Emperia Group – balance sheet

PLNm	H1 2013	2013	H1 2014
Goodwill	49.2	52.0	52.0
Property, plant and equipment	495.3	497.9	496.9
Net working capital	-55.3	-76.5	-33.5
Other	-11.7	-17.6	-12.4
Invested assets	477.5	455.8	503.0
Borrowings	0.0	4.3	4.0
Cash and cash equivalents	-207.5	195.2	124.8
Net debt	-207.5	-190.9	-120.8
Equity	685.0	646.7	623.8

Emperia Holding split-up

- Completed selection of legal and financial advisors (Greenberg Traurig Grzesiak, ING Securities)
- Expected publication of the split-up plan: Q4 2014
- Expected registration of the split-up: Q1 2015
- Objectives of the split-up:
 - ❑ Unbundling the property business line
 - ❑ Maintaining the shareholding structure immediately after the split-up
 - ❑ Increasing growth capacity for the property business through projects for other retailers
 - ❑ Facilitating comparisons and valuations of the unbundled businesses
 - ❑ Increasing the capacity to participate in market consolidation processes
 - ❑ Listing of shares in Elpro Development S.A.

Corporate governance

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Corporate governance in 2014

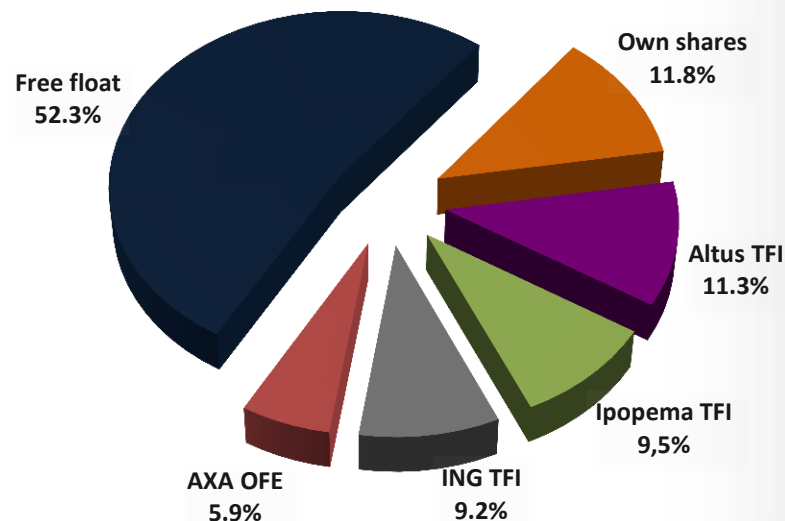
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. through 26 August 2014: **1 786 034 (i.e. 11.82%)**
- Value of own shares purchased in 2014 YTD: PLN 26.7m
- Payment of dividend on 30 June 2014 – PLN 12.1m, i.e. PLN 0.90 per share

Number of registered shares: 15 115 161

Number of publically traded shares: 13 329 127

Shareholding structure

(as per the Company's latest data)



Thank you for your attention

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