

Emperia
Grupa Kapitałowa

Q3 2014



Significant events in Q3 2014

- Deflation in food prices: -1.9% y/y, according to data from GUS
- Most pronounced y/y price declines in fresh product categories: fruit (-7.9%), vegetables (-10.4%), pork (-3.4%), poultry (-4.1%)
- Strong pricing pressure across the market
- Significant rise in product losses due to a change in the supply mechanism for fresh products
- Expiry at the end of September of contractual limitations on development of the franchise business
- Buy-back programme continued, with PLN 10.7m spent in Q3 2014

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**

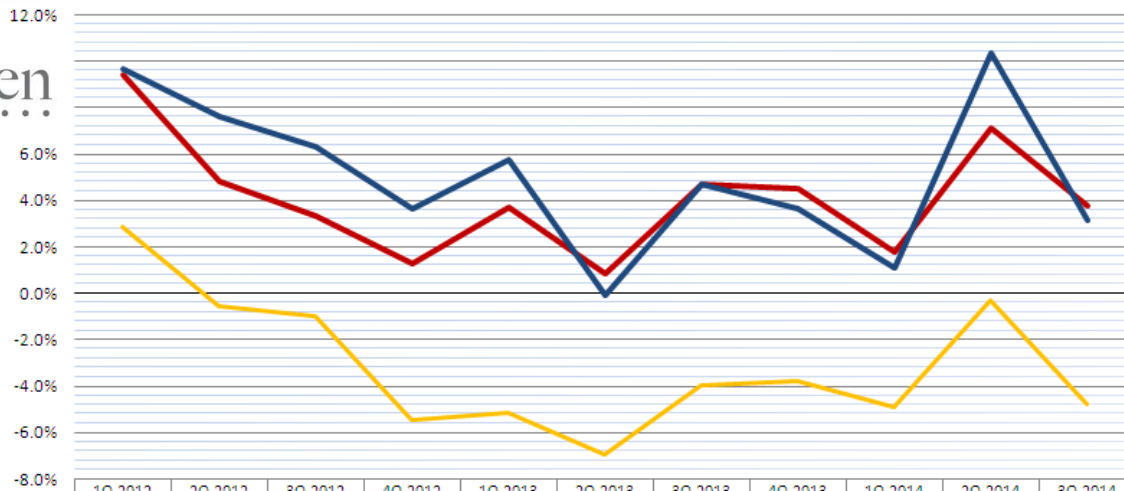
Retail

Grupa Kapitałowa Emperia

Poland's retail market 2012-2014

Quarterly change in sales value y/y

nielsen



According to GUS, retail sales in Q3 2014 advanced 3.8% on the previous year.

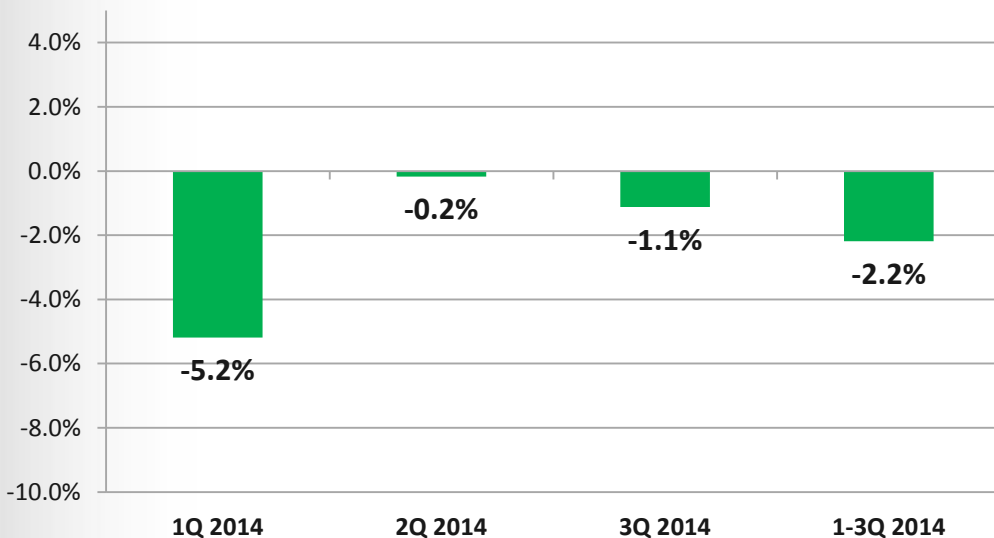
According to Nielsen, third-quarter sales in the supermarket segment grew by 3.1% from the year before, while the hypermarket segment saw a 4.7% y/y decline.

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

** Nielsen data - overall sales (Hypermarkets: 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)

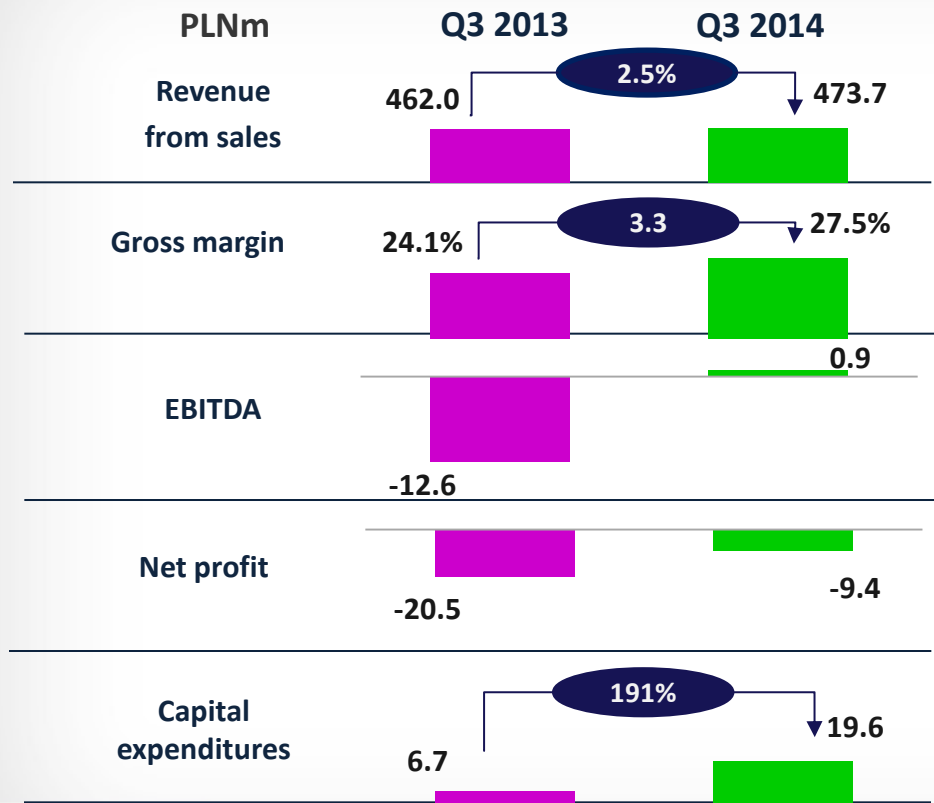
LFL sales – Stokrotka

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



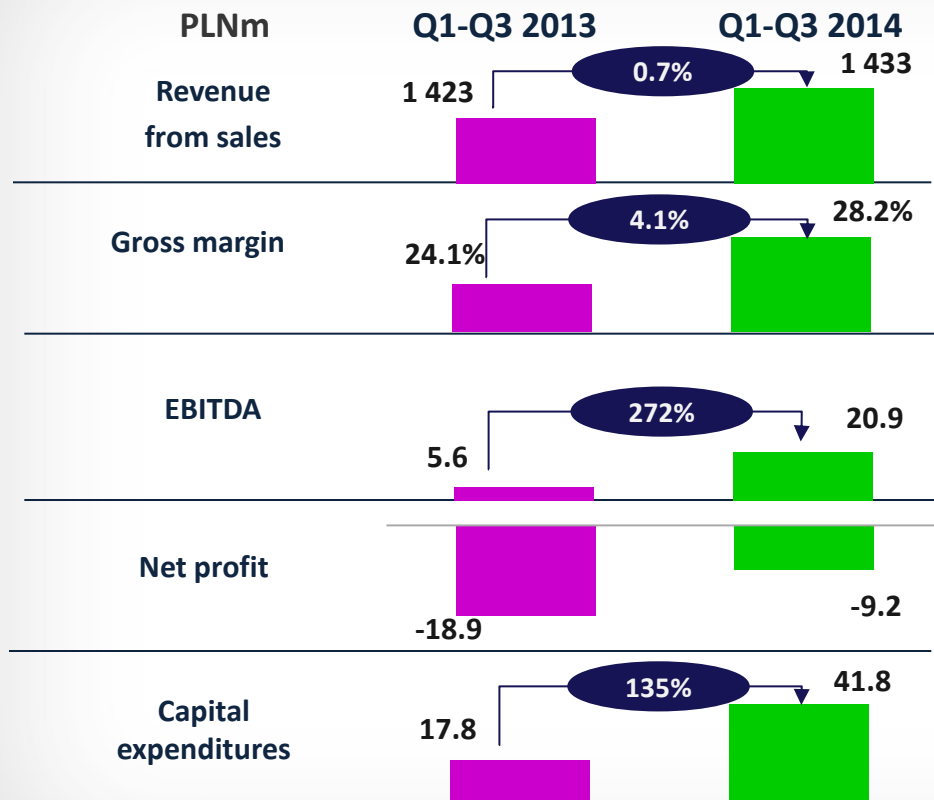
- LFL sales at Stokrotka supermarkets in Q3 2014 fell by 1.1%
- LFL sales at Stokrotka supermarkets in Q1-Q3 2014 fell by 2.2%
- According to GUS, third-quarter CPI was 99.7%, and 98.1% for the category 'food and non-alcoholic beverages.'

Retail – Q3 2014 results



- Increase in gross sales margin: 3.3pp
- Logistics costs for the period: PLN 20.1m, constituting 4.25% of revenue (6.21% of the value of goods transported out, at purchase prices)
- One-off expense of PLN 0.9m on reduction of area and change of format at one Delima supermarket
- Q3 2014 franchise project costs: PLN 0.8m
- The negative result is due to margins being lower by 1.3pp than in Q2 2014, together with higher operating costs (as % of revenue): 28.9% vs. 26.4% in Q2 2014

Retail – Q1-Q3 2014 results



- Increase in gross sales margin: 4.1pp
- Estimated transaction costs relating to the merger of retail companies: PLN 1m
- Operating gain on one-off transactions concerning Delima reached PLN 5.0m, accompanied by PLN 1.2m in deferred income tax
- One-off expense of PLN 1.6m on reduction of area and change of format at two Delima supermarkets
- Franchise project costs: PLN 2.4m

Retail – capital expenditures

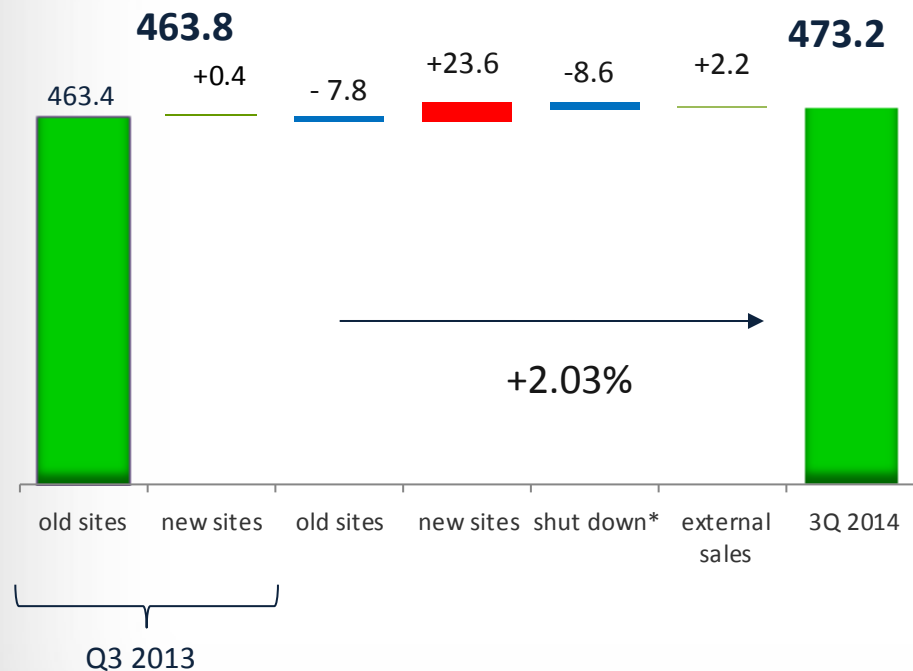
Capital expenditures in Q3 2014

Retail properties	5.6
Upgrade of leased facilities	4.0
Refrigeration and freezing equipment	4.0
IT equipment	1.3
Means of transport	1.3
Store fittings	3.2
In-store systems	0.2
TOTAL	19.6

- Exercise of priority right to purchase a property that will be sold to the property segment
- Expenditure on remodelling and rebranding: PLN 6.5m
- Expenditure on new facilities: PLN 3.3m

Retail – sales drivers in Q3 2014

Change, in PLNm



older sites - stores open as of the end of Q2 2013, newer sites - opened since Q3 2013

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

* shut down (Q3 2013 - Q3 2014): 1 Delima, 3 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 – number of stores

Number of stores

Number of stores at the end of Q2 2014	241
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Stores opened in Q3 2014	6
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Stores closed in Q3 2014	1
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Number of stores at the end of Q3 2014	246
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Average monthly sales per sqm (in PLN)

	Q3 2013	Q3 2014	change
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Supermarkets	1 324	1 275	-3.7%
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Stokrotka	1 233	1 219	-1.1%
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- One new supermarket and three new markets opened
- Two franchise stores opened
- One market closed down
- Total floor area of stores opened in Q3 2014: 2 860sqm, including 1 990sqm of own stores
- CAPEX per new own store: PLN 0.89m

- 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	7-8	15-20
own markets	5-7	30-50
franchise stores	8-10	50-70
total	20-25	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
- Franchise offering positively received by the market

Retail – store formats

Stores by format

	Number of stores	Revenue from sales*
own supermarkets	217	450.8
own markets	26	19.7
franchise stores	3	2.2
stores shut-down	1	0.5

* for Q3 2014 / in PLNm /

Remodelling, change of floorplan and rebranding

Number of stores

	Q3 2014	Total
remodelling	8	13
floorplan	6	25
rebranding	22	133

Est. expenditure in Q1-Q3 2014 /PLNm/

	CAPEX	Costs
remodelling	10.9	2.9*
floorplan	1.7	0.5
rebranding	1.0	0.8

* including PLN 1.5m in lost margin

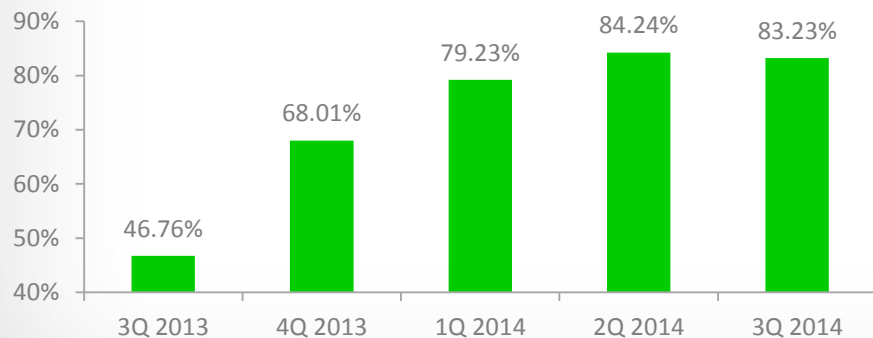
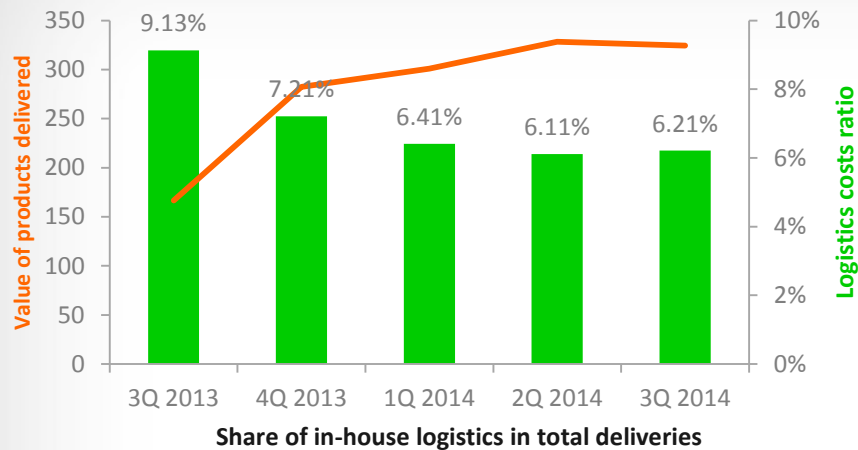
Retail – working capital turnover

	Q3 2013	Q2 2014	Q3 2014
Inventory turnover	32.6	46.6	46.9
Receivables turnover	4.5	6.7	5.8
Payables turnover	53.4	62.7	61.1
Cash conversion cycle	-16.3	-9.4	-8.4

Turnover ratios presented in days

- Expansion of offering under central distribution
- Expansion of non-food offering
- Achievement of procurement targets

Retail – in-house logistics



- Achieved target level of store supplies using in-house logistics
- Lower per-pallet value, with pallet volume comparable to the previous quarter
- Summer season – resulting in higher personnel costs

Near-term performance drivers:

- Transport system optimisation (central hub-regional warehouses)
- Improved productivity at the Teresin central hub
- Overhead cost allocation to a higher revenue base

Retail – store profitability

	H1 2013	H1 2014	Q1-Q3 2013	Q1-Q3 2014
Revenue from product sales	825.7	799.5	1 225.9	1 191.3
Store operating costs	181.9	182.7	272.2	275.7
<i>Operating costs as % of</i>	<i>22.0%</i>	<i>22.9%</i>	<i>22.2%</i>	<i>23.1%</i>
EBITDA*	42.0	44.8	52.8**	60.1
% EBITDA	5.1%	5.6%	4.3%	5.0%

- Growth in profitability as a result of improved trade terms
- Growth in minimum wage
- Temporarily, higher product losses in fresh product categories
- Additional costs incurred on remodelling and rebranding

194 Stokrotka stores operating at the end of 2012

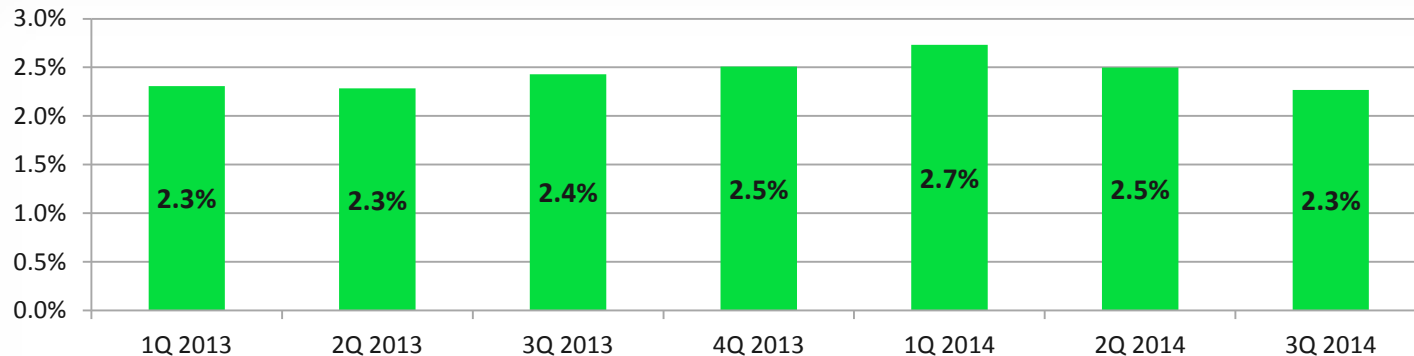
** EBITDA inclusive of logistics costs*

*** Logistics costs adjusted for non-effectiveness in Q3 2013*

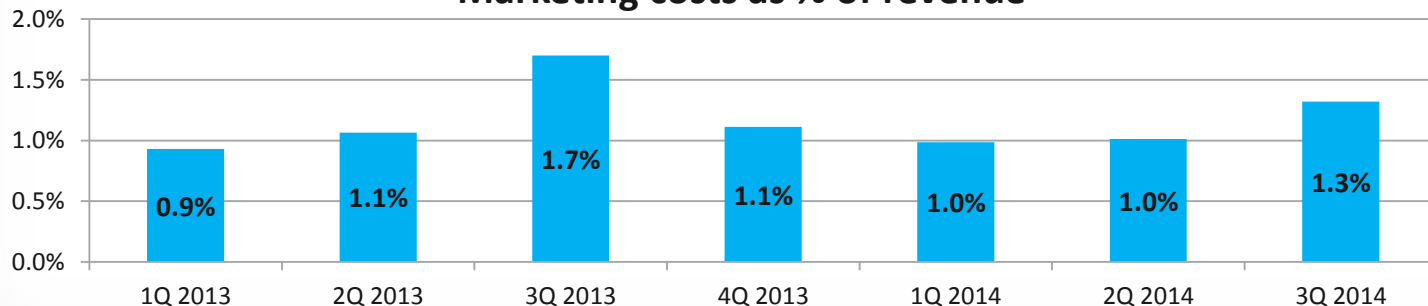
/PLNm/

Retail – central office

Head office costs as % of revenue



Marketing costs as % of revenue



2013 data includes the acquired Maro Markety and Społem Tychy

Retail – on-going activities

Administrative

- Further cost reductions at central office level

Sales and marketing

- Improvement in trade terms
- Increase of share and profitability of own brands
- Pricing index improvement
- Marketing cost allocation to a higher revenue base

Logistics

- Continued improvements in the logistics cost ratio
- Reducing losses and improving availability in the "fresh" category
- Optimisation of inventory levels

Store operations

- Higher productivity of logistics personnel
- Maintaining high levels of customer service

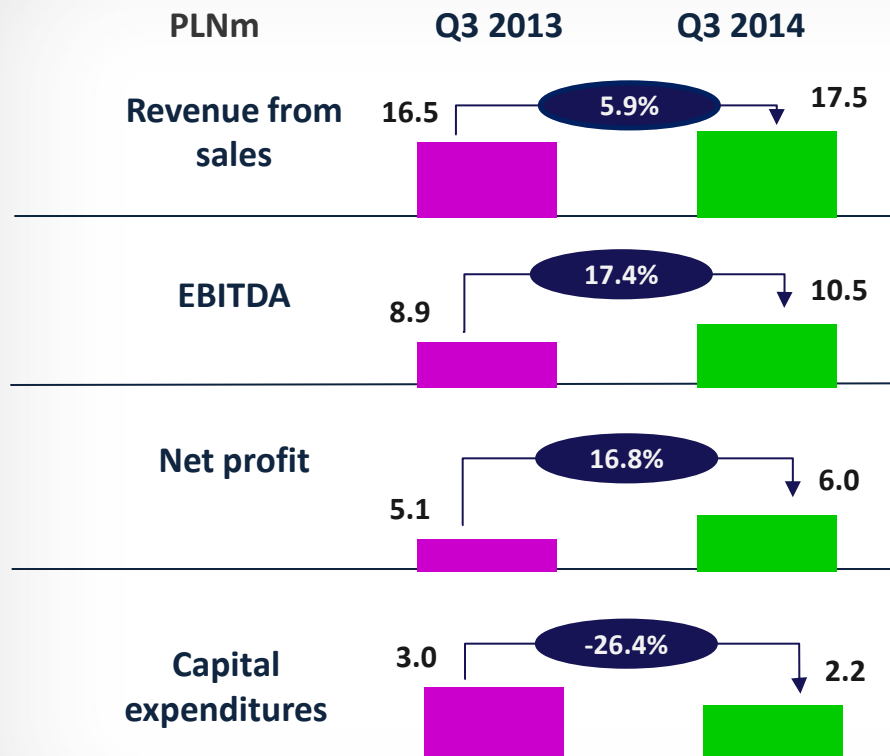
Room for performance improvements

Margin growth	0.2-0.5pp
Cost reduction	1.5-2.0pp
Inventory downsizing	3-5 days

Property development

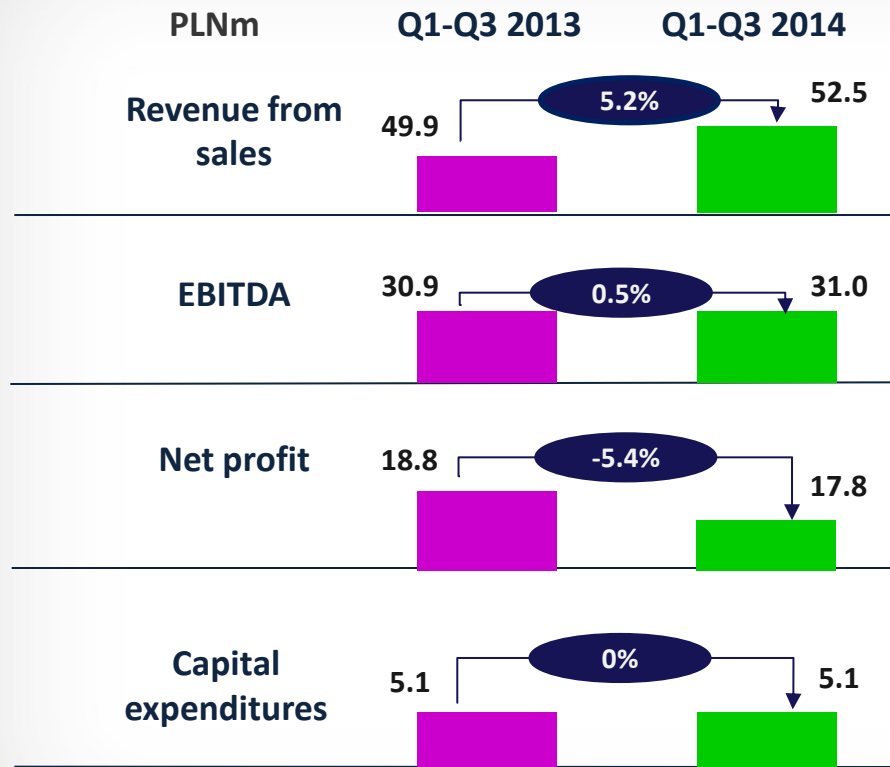
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Property development – Q3 2014 results



- Result on property disposals in Q3 2014: PLN 0.6m, Q3 2013: PLN -0.7m
- Effective tax rate in Q3 2013: 0%, Q3 2014: 16.2% (Q3 2014: PLN 1.2m in tax)
- Decrease in finance costs by PLN 0.7m

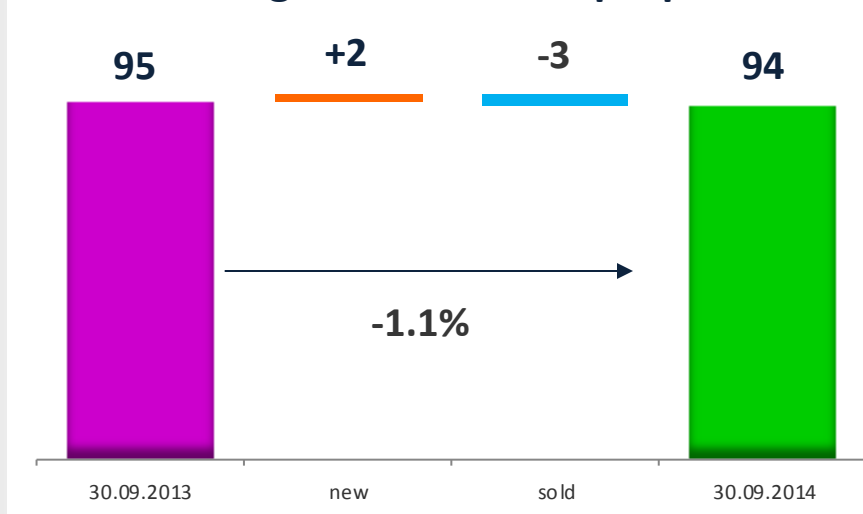
Property development – Q1-Q3 2014 results



- Result on property disposals in Q1-Q3 2014: PLN 1.2m, Q1-Q3 2013: PLN 2.4m
- Effective tax rate in Q1-Q3 2013: 0%, Q1-Q3 2014: 15.5% (Q1-Q3 2014: PLN 3.3m in tax)
- Decrease in finance costs by PLN 2.7m

Property development

Change in number of properties



Q3 2013 Type of property Q3 2014



Structure of operating properties



Property development

NOI* (in PLNm)

	Number of facilities	Average monthly NOI in Q3 2014
NOI - operating facilities	83	3.6
including retail sites	78	3.4

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

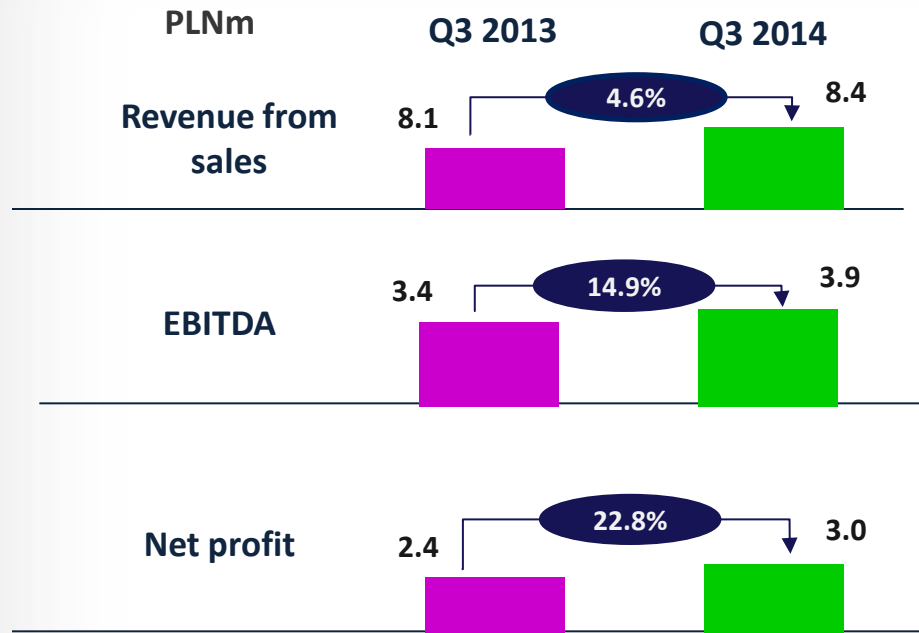
Retail sites

	Related tenants	Other tenants
Lease space [sqm 000s]	56.2	35.4
Average lease rate [PLN per sqm]	43.7	40.5

IT business

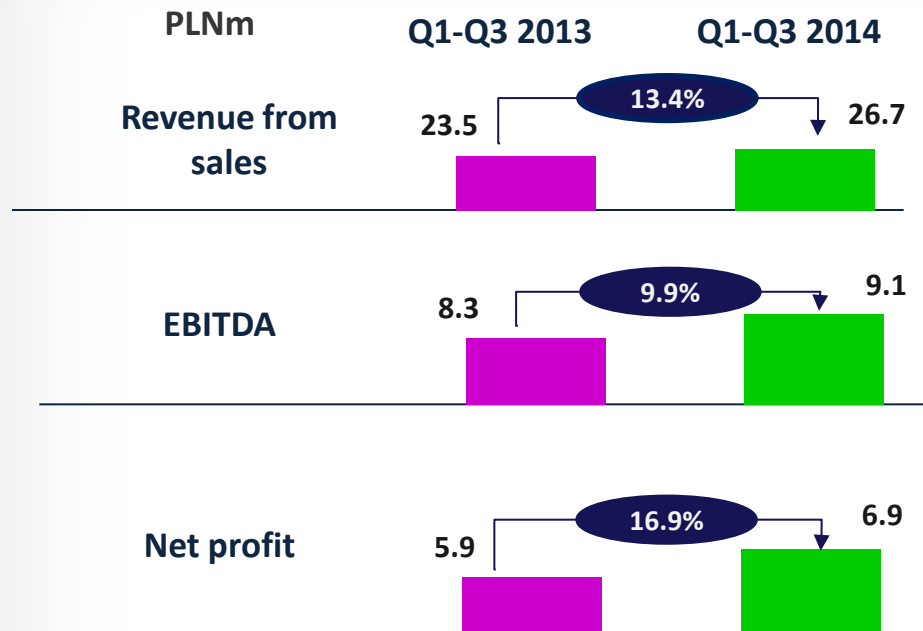
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IT business – Q3 2014 results



- Share of external revenue in Q3 2014: 58.5%; in Q3 2013: 63.6%
- Revenue structure: Q3 2014: 83.9% services, 16.1% products; Q3 2013: 89.7% services, 10.3% products

IT business – Q1-Q3 2014 results

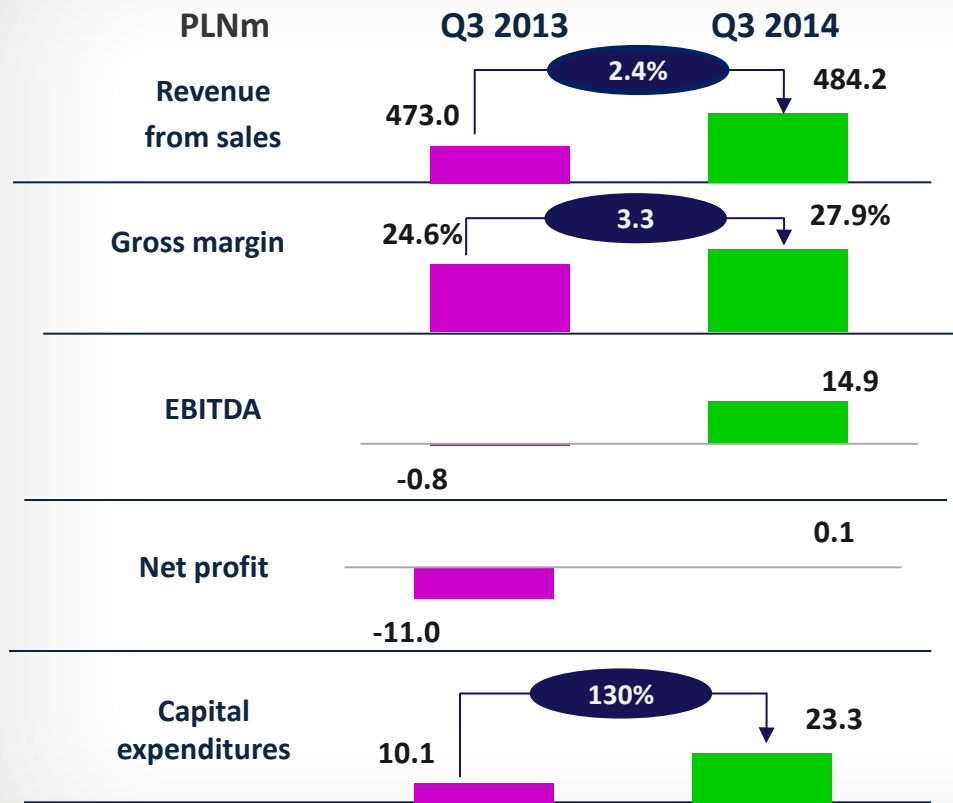


- Share of external revenue in Q1-Q3 2014: 61.2%; in Q1-Q3 2013: 63.2%
- Revenue structure: Q1-Q3 2014: 75.8% services, 24.2% products; Q3 2013: 85.9% services, 14.1% products

Emperia Group

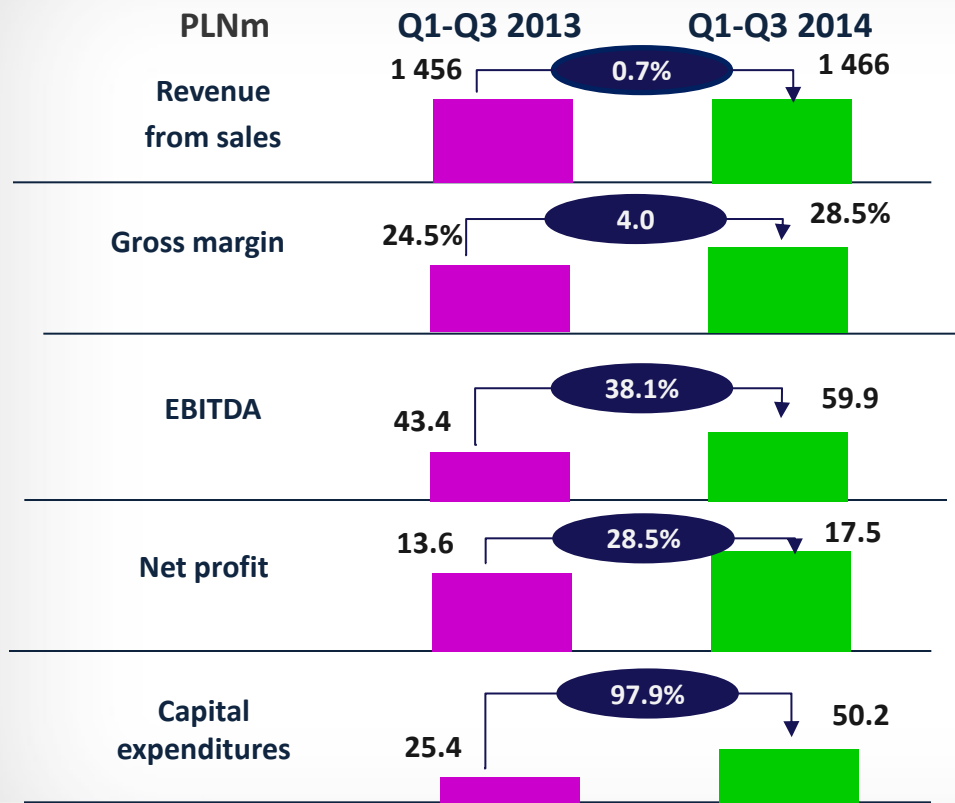
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Emperia Group – Q3 2014 results



- An additional expense of PLN 0.8m incurred in Q3 2014 on reduction of area and change of format at one Delima supermarket
- Result on property disposals in Q3 2014: PLN 0.6m; Q3 2013: PLN -0.7m
- An increase property-segment tax in Q3 2014: PLN 1.2m (change in legal regulations)
- Lower result on financing activities
 - Q3 2013: PLN 0.8m
 - Q3 2014: PLN 0.4m
- Q3 2014 franchise project costs: PLN 0.8m

Emperia Group - Q1-Q3 2014 results

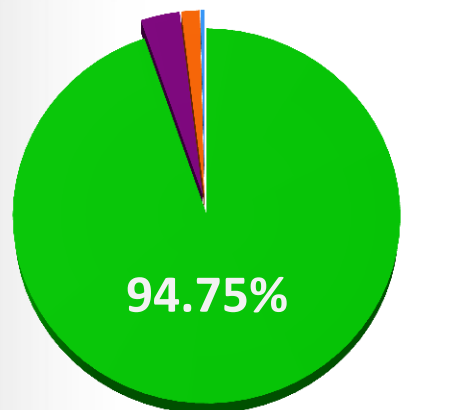


- Operating result on one-off transactions concerning Delima (store closures, floor area downsizing, release of provisions) reached PLN 3.4m in Q1-Q3 2014, alongside PLN 1.2m in deferred income tax
- Result on property disposals in Q1-Q3 2014: PLN 1.2m, Q1-Q3 2013: PLN 2.4m
- An increase in property-segment tax in Q1-Q3 2014: PLN 3.3m
- Amounts awarded in court from E&Y: PLN 1.8m in Q1-Q3 2014
- Lower result on financing activities
 - Q1-Q3 2013: PLN 3.9m
 - Q1-Q3 2014: PLN 0.9m
- Q1-Q3 2014 costs connected with merger of retail companies: PLN 1m
- Q1-Q3 2014 franchise project costs: PLN 2.4m

Emperia Group – results

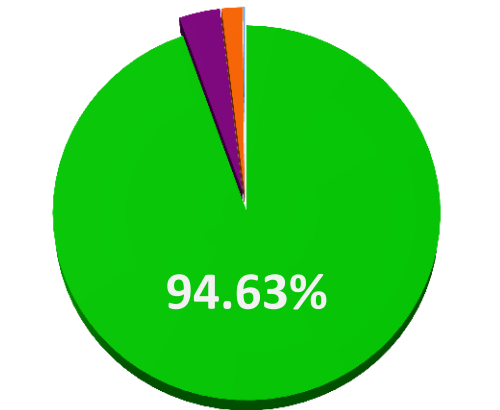
Q1-Q3 2013

Revenue
structure



Q1-Q3 2014

EBITDA
(in PLNm)



5.6
30.9
8.3
-1.3

20.9
31.0
9.1
-1.1

Emperia Group – balance sheet

PLNm	Q3 2013	2013	Q3 2014
Goodwill	49.2	52.0	52.0
Property, plant and equipment	496.4	497.9	509.6
Net working capital	-69.6	-76.5	-32.2
Other	-11.6	-17.6	-12.9
Invested assets	464.4	455.8	516.5
Borrowings	4.6	4.3	3.8
Cash and cash equivalents	196.5	195.2	102.2
Net debt	-191.9	-190.9	-98.4
Equity	656.3	646.7	614.9

Preparations for Emperia Holding's split-up suspended

- Having analysed the conditions prevailing on the FMCG retail market and considering the unsatisfactory stock market valuations of retail companies, the management board of Emperia Holding S.A. decided on 30 October 2014 to suspend preparations for the company's split-up. Given the above, the deadline for completing the split-up procedure has changed.
- The new deadline for the on-going procedure will be dependent on an updated assessment of market conditions and any future decisions by the company to participate in the operational and equity consolidation of the retail market.

Corporate governance

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Corporate governance 2014

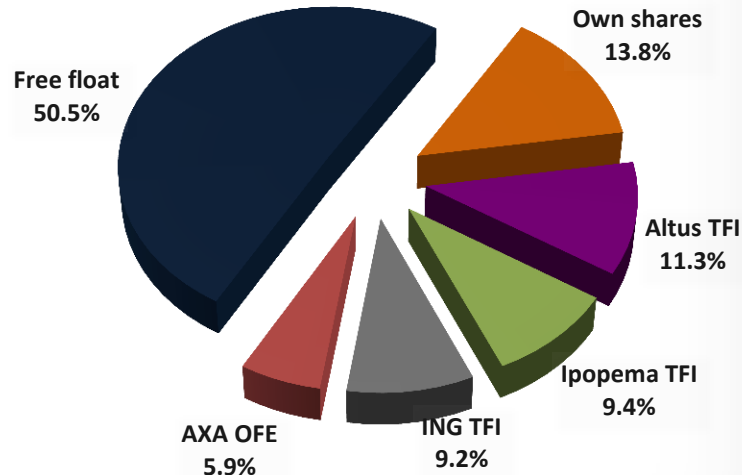
- Total number of shares purchased by Emperia Holding S.A. and Elpro Development S.A. as at 14 November 2014: 2 087 395 (i.e. 13.75 %)
- Value of own shares purchased in 2014 YTD: PLN 37.3m
- An extraordinary general meeting has been called for 26 November 2014

Number of registered shares: 15 179 589

Number of shares publically traded: 13 092 194

Shareholding structure

(as per the Company's latest data)



Thank you for your attention

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