

Emperia Holding



CONDENSED CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2016

PREPARED IN ACCORDANCE WITH IFRS
AS ENDORSED BY THE EU
(DATA IN PLN 000s)

LUBLIN, 29 AUGUST 2016

Emperia Group means:



- being credible and prioritising shareholder interests



- customer-centric culture

- growth and openness



- working together

- effectiveness



- reliability and engagement

Being credible and prioritising shareholder interests

- Emperia, **winner of multiple awards and leading Polish retailer**, has been an active player on Poland's retail market for the past 25 years
- Our **aim** is to **create value for shareholders**
- Emperia is **financially stable** and has been listed on the **Warsaw Stock Exchange** for 14 years
- **Credibility** in the eyes of our shareholders is our **top priority**
- Emperia operates **transparently and openly**, while emphasising **corporate governance** and **ethics in business**.

Customer-centric culture



- **Our top priority** in everyday work is building positive and lasting **relations with clients**
- We are fully aware of the fact that customer satisfaction **ultimately has decisive meaning for our success**

Growth and openness



- We value people who want to **develop** while sharing **knowledge** across the organisation
- We appreciate the **achievements** of our external environment, and the **experience** of others is always an opportunity for us to learn something new
- In our work, we use **modern technologies** because we know that with them we can grow in the long-term
- We communicate openly

Working together



- We know that only **together** can we **achieve** our **goals**
- We prioritise **work atmosphere**, team relations and **high standards** in managing people
- We build long-term commercial **partnerships**, guided by the principles of **reliability and integrity**
- In relations with our business partners, we place emphasis on **transparency and observance of** business ethics principles

Reliability and engagement



- We are **honest** with our employees, business partners and clients
- We are socially involved. We run an employee-based Foundation and get involved in employee volunteer activities
- **Loyalty and engagement** are the prerequisites of each and every member of our team

Effectiveness



- Progress towards our targets is the most important indicator of our **effectiveness**
- We value **courage in acting** and decision-making. We accept the risk of wrong decisions but not failure to act
- We aim for **high effectiveness** at low cost
- We like simple structures and solutions, believing that they can help us in **acting quickly and effectively**
- A high-calibre management team

Welcome!

Contents

1. Selected financial data	7
2. Statement by the Management Board	8
3. Report of an independent statutory auditor on review of the H1 2016 condensed consolidated semi-annual financial statements	9
4. Consolidated statement of financial position	10
5. Consolidated statement of profit and loss and consolidated statement of comprehensive income.....	12
6. Consolidated statement of changes in equity.....	14
7. Consolidated statement of cash flows.....	17
8. Description of key accounting principles.....	19
8.1 Statement on compliance and basis for preparing the financial statements	19
8.2 Functional currency	19
8.3 Discontinued operations.....	19
8.4 Application of standards and interpretations effective from 1 January 2016	19
8.5 Key accounting principles	20
8.6 Segment reporting.....	20
8.7 Mergers, share purchases or disposals, capital increases	22
9. Other significant information and events	24
9.1 Uniformity of accounting principles and calculation methods used in preparing interim financial statements and the previous annual financial statements	24
9.2 Production seasonality and cyclicity	24
9.3 Type and amount of non-typical items having an impact on assets, liabilities, equity, net financial result or cash flows, such as are non-typical due to their type, value or impact.....	24
9.4 Type and amount of changes in estimated that which were published in previous interim periods of the present year or changes in estimated amounts published in previous financial years, if those had a substantial impact on the present interim period.....	25
9.5 Issue, redemption and repayment of debt and equity securities.....	25
9.6 Paid out and proposed dividends	28
9.7 Revenue and profit by operating segment	28
9.8 Changes in off-balance sheet liabilities.....	28
9.9 Impairment of property, plant and equipment, intangible assets, inventories and other assets, and reversal thereof.....	29
9.10 Reversal of cost restructuring provisions.....	30
9.11 Deferred income tax	30
9.12 Financial and operating leasing.....	31
9.13 Liabilities incurred in connection with purchase of property, plant and equipment	32
9.14 Correction of prior-period errors.....	32
9.15 Non-repayment or infringement of credit facility agreements and lack of restructuring activities.....	32
9.16 Other significant events	32
9.17 Significant events after the end of the reporting period	33
10. Semi-annual management report on Group operations	35
10.1 Description of Group structure	35
10.2 Effects of changes in group structure	38
10.3 Management's position regarding previously published forecasts	38
10.4 Shareholders with at least 5% of votes at the general meeting, at report publication date.....	38
10.5 Changes in shareholding by Management Board and Supervisory Board members.....	38
10.6 Information regarding on-going judicial proceedings.....	39
10.7 Significant related-party transactions.....	40
10.8 Credit facilities, loans, sureties and guarantees	40

10.9	Other information of consequence to the Group's HR situation, asset position and financial performance.....	40
10.10	Factors having an impact on the results to be achieved over the perspective of at least the next half-year	51
10.11	Risk factors	51
10.12	Charitable work at Emperia Group	52

1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2016 to 30 Jun 2016	For the period from 1 Jan 2015 to 30 Jun 2015	For the period from 1 Jan 2016 to 30 Jun 2016	For the period from 1 Jan 2015 to 30 Jun 2015
I.	Net revenue from sale of products, goods and materials	1 212 711	982 431	276 843	237 641
II.	Operating profit (loss)	22 323	33 288	5 096	8 052
III.	Profit (loss) before tax	22 433	32 402	5 121	7 838
IV.	Profit (loss) for the period	18 367	29 072	4 193	7 032
V.	Net cash flows from operating activities	3 067	1 972	700	477
VI.	Net cash flows from investing activities	(20 267)	(6 730)	(4 627)	(1 628)
VII.	Net cash flows from financing activities	(3 234)	(51 167)	(738)	(12 377)
VIII.	Total net cash flows	(20 435)	(55 925)	(4 665)	(13 528)
IX.	Total assets	1 011 097	1 017 258	228 471	238 709
X.	Liabilities and liability provisions	410 323	422 354	92 718	99 109
XI.	Non-current liabilities	22 032	24 112	4 978	5 658
XII.	Current liabilities	388 291	398 242	87 739	93 451
XIII.	Equity	600 774	594 904	135 753	139 600
XIV.	Share capital	12 340	13 235	2 788	3 106
XV.	Number of shares	12 340 049	13 235 495	12 340 049	13 235 495
XVI.	Weighted average number of shares	12 138 215	12 684 364	12 138 215	12 684 364
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	3.10	3.33	0.71	0.81
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	3.10	3.32	0.71	0.80
XIX.	Book value per share* (in PLN/EUR)	49.49	47.57	11.18	11.16
XX.	Diluted book value per share** (in PLN/EUR)	49.49	47.56	11.18	11.16
XXI.	Paid out dividend per share (in PLN/EUR)	-	1.33	-	0.32

comparative data in the statement of financial position as at 31 December 2015

* calculated using the weighted average number of the Issuer's shares

** calculated using the weighted average diluted number of the Issuer's shares

Weighted average number of shares:

– for H1 2016 (January-June): 12 138 215

– for H1 2015 (January-June): 12 684 364

Selected financial data are translated into EUR in the following manner:

1. Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for H1 2016 was EURPLN 4.3805 and for H1 2015: EURPLN 4.1341.
2. Balance sheet items and book value / diluted book value are translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 30 June 2016: EURPLN 4.4255; 31 December 2015: EURPLN 4.2615.
3. Dividend paid out is translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 19 June 2015 was EURPLN 4.1715.

2. Statement by the Management Board

The Management Board of Emperia Holding S.A. declares that to the best of its knowledge the condensed consolidated semi-annual financial statements and comparative data were drawn up in accordance with International Financial Reporting Standards and interpretations, published in the form of Commission Regulations, and that they correctly, reliably and clearly reflect the Group's financial and asset position together with its financial performance, and that the semi-annual report on Group operations contains a true depiction of the development, achievements and situation of the Group, including a description of key threats and risks.

The Management Board of Emperia Holding S.A. declares that the entity authorised to audit financial statements which audited the Group's condensed consolidated semi-annual financial statements was selected in accordance with the provisions of law and that such entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the condensed consolidated semi-annual financial statements in accordance with binding regulations and professional standards.

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

.....
Signature

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

.....
Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

.....
Signature

3. Report of an independent statutory auditor on review of the H1 2016 condensed consolidated semi-annual financial statements

The report of an independent statutory auditor on review of the condensed consolidated semi-annual financial statements for the period from 1 January 2015 to 30 June 2016 can be found in the attached file "Raport z przeglądu śródrocznego skonsolidowanego sprawozdania finansowego Grupy Kapitałowej Emperia Holding I półrocze 2016.pdf".

4. Consolidated statement of financial position

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Non-current assets	631 641	624 116	581 729
Property, plant and equipment	528 736	522 956	498 344
Investment properties	-	-	-
Intangible assets	4 541	4 635	3 118
Goodwill	52 044	52 044	52 044
Interests in equity-accounted entities	-	-	-
Financial assets	37	37	92
Non-current loans	154	1 615	-
Non-current receivables	5 383	6 313	5 421
Deferred income tax assets	21 477	22 009	19 287
Other non-current prepayments	19 269	14 507	3 423
Non-current assets classified as held-for-sale	-	-	-
Current assets	379 456	393 142	317 821
Inventories	218 571	199 035	171 416
Receivables	64 946	71 248	49 299
Income tax receivables	208	1 332	-
Short-term securities	-	11 138	30 467
Prepayments	10 265	4 730	7 877
Cash and cash equivalents	83 359	103 795	58 510
Other financial assets	2 107	1 864	252
Assets classified as held for sale	-	-	-
Total assets	1 011 097	1 017 258	899 550
Equity	600 774	594 904	585 474
Share capital	12 340	13 235	13 192
Share premium	419 884	471 424	469 374
Supplementary capital	97 558	97 558	97 558
Management options provision	2 381	2 588	3 517
Reserve capital	72 766	47 661	47 661
Buy-back provision	-	-	-
Own shares	(17 006)	(57 487)	(46 535)
Retained earnings	12 851	19 925	707
Total equity attributable to owners of the parent	600 774	594 904	585 474
Non-controlling interests	-	-	-
Non-current liabilities	22 032	24 112	22 947
Credit facilities, loans and debt instruments	1 174	1 658	2 195
Non-current liabilities	4 117	3 357	969
Provisions	11 976	14 600	17 157
Deferred income tax provision	4 765	4 497	2 626
Current liabilities	388 291	398 242	291 129
Credit facilities, loans and debt instruments	11 073	988	973
Current liabilities	344 985	369 419	262 915
Income tax liabilities	697	426	773
Provisions	20 151	18 626	18 430
Deferred revenue	11 385	8 783	8 038
Liabilities assigned to assets classified as held-for-sale	-	-	-
Total equity and liabilities	1 011 097	1 017 258	899 550

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Book value	600 774	594 904	585 474
Number of shares	12 340 049	13 235 495	13 192 018
Weighted average number of shares	12 138 215	12 506 772	12 684 364
Diluted number of shares	12 139 331	12 508 001	12 716 468
Book value per share (in PLN)*	49.49	47.57	46.16
Diluted book value per share (in PLN)**	49.49	47.56	46.04

* calculated using the weighted average number of the Issuer's shares

** calculated using the weighted average diluted number of the Issuer's shares

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

Signature

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

Signature

5. Consolidated statement of profit and loss and consolidated statement of comprehensive income

Statement of profit and loss	Three months ended 30 Jun 2016	Six months ended 30 Jun 2016	Three months ended 30 Jun 2015	Six months ended 30 Jun 2015
Revenue from sales	607 247	1 212 711	496 089	982 431
- from subsidiaries	-	-	2	4
Revenue from sale of products and services	37 792	71 712	32 152	60 872
Revenue from sale of goods and materials	569 455	1 140 999	463 937	921 559
Cost of sales	(439 099)	(883 165)	(351 524)	(697 636)
- to subsidiaries	-	-	-	(1)
Cost of manufacture of products sold	(7 113)	(14 575)	(6 367)	(12 301)
Value of goods and materials sold	(431 986)	(868 590)	(345 157)	(685 335)
Profit on sales	168 148	329 546	144 565	284 795
Other operating revenue	2 387	4 543	1 096	11 698
Selling costs	(135 510)	(268 704)	(112 851)	(225 522)
Administrative expenses	(20 513)	(39 109)	(16 765)	(33 117)
Other operating expenses	(1 493)	(3 953)	(2 652)	(4 566)
Operating profit	13 019	22 323	13 393	33 288
Finance income	183	533	187	545
Finance costs	(217)	(423)	(1 134)	(1 431)
Profit before tax	12 985	22 433	12 446	32 402
Income tax	(2 209)	(4 066)	(2 185)	(3 330)
Current	(1 045)	(3 325)	(1 434)	(3 736)
Deferred	(1 164)	(741)	(751)	406
Share of the profit of equity-accounted investees	-	-	-	-
Profit for the period	10 776	18 367	10 261	29 072
Profit for the period attributable to owners of the parent	10 776	18 367	10 261	29 072
Profit for the period attributable to non-controlling interests	-	-	-	-

	Six months ended 30 Jun 2016	Six months ended 30 Jun 2015
Profit (loss) for the period (annualised)	37 651	42 218
Weighted average number of ordinary shares	12 138 215	12 684 364
Weighted average diluted number of ordinary shares*	12 139 331	12 716 468
Profit (loss) per ordinary share, annualised (in PLN)	3.10	3.33
Diluted profit (loss) per ordinary share, annualised (in PLN)*	3.10	3.32

* Weighted average diluted number of ordinary shares:

– for H1 2016 (January-June): 12 139 331, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

– for H1 2015 (January-June): 12 716 468, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

Statement of comprehensive income	Six months ended 30 Jun 2016	Six months ended 30 Jun 2015
Profit for the period	18 367	29 072
Other comprehensive income	-	-
Comprehensive income for the period	18 367	29 072
Comprehensive income attributable to shareholders of the parent	18 367	29 072
Comprehensive income attributable to non-controlling interests	-	-

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

.....
Signature

.....
Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

.....
Signature

6. Consolidated statement of changes in equity

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2016	13 235	471 424	97 558	2 588	47 661	(57 487)	19 925	594 904
Correction of fundamental errors 2015	-	-	-	-	-	-	-	-
1 Jan 2016, adjusted	13 235	471 424	97 558	2 588	47 661	(57 487)	19 925	594 904
Comprehensive income for the six months ended 30 June 2016								
2015 profit distribution - transfer to equity	-	-	-	-	-	-	18 367	18 367
Bond issuance - incentive scheme	5	203	-	(208)	25 442	-	(25 442)	-
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Redemption of own shares	(900)	(51 743)	-	-	-	(12 499)	-	(12 499)
Transfer of buy-back provision	-	-	-	-	(337)	52 980	-	-
Dividend from 2015 profit	-	-	-	-	-	-	-	-
30 June 2016	12 340	419 884	97 558	2 381	72 766	(17 006)	12 851	600 774

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2015	15 180	551 988	100 084	5 206	110 593	(164 553)	(11 499)	606 999
Correction of fundamental errors 2014	-	-	-	-	-	-	-	-
1 Jan 2015, adjusted	15 180	551 988	100 084	5 206	110 593	(164 553)	(11 499)	606 999
Comprehensive income for the six months ended 30 June 2015								
2014 profit distribution - transfer to equity	-	-	-	-	-	-	29 072	29 072
Bond issuance - incentive scheme	-	-	-	-	337	-	(337)	-
Share issuance - incentive scheme	44	1 658	-	13	-	-	-	13
Purchase of own shares	-	-	-	(1 702)	-	-	-	-
Redemption of own shares	(2 032)	(84 273)	(2 526)	-	-	(34 082)	-	(34 082)
Transfer of buy-back provision	-	-	-	-	(63 268)	152 099	-	-
Dividend from 2014 profit	-	-	-	-	-	-	-	-
30 Jun 2015	13 192	469 374	97 558	3 517	47 661	(46 535)	707	585 474

Consolidated financial statements as at 30 June 2016
(amounts in PLN 000s, unless otherwise stated)

(oddzielne przypadki)

Emperia
Holding

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2015	15 180	551 988	100 084	5 206	110 593	(164 553)	(11 499)	606 999
Correction of 2014 error	-	-	-	-	-	-	-	-
1 Jan 2015, adjusted	15 180	551 988	100 084	5 206	110 593	(164 553)	(11 499)	606 999
Comprehensive income for the 12 months ended 31 Dec 2015								
2014 profit distribution - transfer to equity	-	-	-	-	-	-	48 333	48 333
Prior-period results of companies entered into consolidation	-	-	-	-	337	-	(337)	-
Bond issuance - incentive scheme	-	-	-	-	-	-	(44)	(44)
Share issuance - incentive scheme	87	3 708	-	(2 618)	-	-	-	1 177
Purchase of own shares	-	-	-	-	-	(45 033)	-	(45 033)
Redemption of own shares	(2 032)	(84 272)	(2 526)	-	(63 269)	152 099	-	-
Dividend from 2014 profit	-	-	-	-	-	-	(16 528)	(16 528)
31 Dec 2015	13 235	471 424	97 558	2 588	47 661	(57 487)	19 925	594 904

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

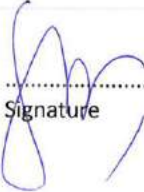

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Signature

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director


.....
Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director


.....
Signature

7. Consolidated statement of cash flows

Operating activities	Six months ended 30 Jun 2016	Six months ended 30 Jun 2015
Profit (loss) for the period	18 367	29 072
Adjusted by:	(15 300)	(27 100)
Share of the net profit (loss) of equity-accounted entities	-	-
Depreciation / amortisation	24 167	21 935
(Profit) loss on exchange differences	111	52
Interest and shares of profit (dividends)	(72)	433
Income tax	4 066	3 330
Profit (loss) on investing activities	(81)	(7 636)
Change in provisions	(1 100)	193
Change in inventories	(19 535)	(6 312)
Change in receivables	18 852	(4 348)
Change in prepayments	(7 626)	(614)
Change in liabilities	(32 211)	(28 572)
Other adjustments	-	-
Income tax paid	(1 871)	(5 561)
Net cash from operating activities	3 067	1 972

Investing activities	Six months ended 30 Jun 2016	Six months ended 30 Jun 2015
Inflows	24 678	14 308
Disposal of property, plant and equipment and intangible assets	3 766	14 308
Disposal of financial assets	19 317	-
Sale of subsidiaries	-	-
Dividends received	-	-
Interest received	67	-
Repayment of loans issued	1 528	-
Cash of entities acquired, at acquisition date	-	-
Proceeds from investment properties	-	-
Other inflows	-	-
Outflows	(44 945)	(21 038)
Purchase of property, plant and equipment and intangible assets	(36 621)	(20 786)
Purchase of investment properties	-	-
Purchase of subsidiaries and associates	-	-
Purchase of financial assets	(7 994)	-
Borrowings granted	(330)	(252)
Cash of subsidiaries at disposal date	-	-
Expenditures on maintenance of investment properties	-	-
Other outflows	-	-
Net cash from investing activities	(20 267)	(6 730)

Financing activities	Six months ended 30 Jun 2016	Six months ended 30 Jun 2015
Inflows	10 000	27
Proceeds from credit facilities and loans	10 000	14
Issue of short-term debt instruments	-	-
Proceeds from equity issuance	-	13
Other inflows	-	-
Outflows	(13 234)	(51 194)
Repayment of borrowings	-	-
Buy-back of short-term debt instruments	-	-
Payment of finance lease liabilities	(490)	(448)
Interest and fees paid	(245)	(136)
Dividends paid	-	(16 528)
Purchase of own shares	(12 499)	(34 082)
Other outflows	-	-
Net cash from financing activities	(3 234)	(51 167)
Change in cash and cash equivalents	(20 436)	(55 925)
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	103 795	114 435
Cash and cash equivalents at the end of period	83 359	58 510

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

Signature

Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

Signature

8. Description of key accounting principles

8.1 Statement on compliance and basis for preparing the financial statements

These consolidated financial statements of Emperia Holding S.A. were prepared in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union.

The consolidated financial statements reliably present the Group's financial situation, financial performance and cash flows.

The consolidated financial statements were prepared in accordance with the Ordinance of the Minister of Finance dated 19 October 2005 on current and periodic information disclosed by issuers of securities.

These condensed consolidated financial statements were prepared under the historical cost convention, except for financial assets measured at fair value.

Emperia Holding S.A.'s Management Board approved the consolidated financial statements on the date on which they are signed.

8.2 Functional currency

Items in the consolidated financial statements are measured in the currency of the economic environment in which the Group operates, which is the Group's functional currency.

The functional and presentation currency of all items in the consolidated financial statements is PLN. Data in the consolidated financial statements and all explanatory data is presented in PLN 000s (unless stated otherwise).

Drafting consolidated financial statements in PLN 000s necessitates rounding up, which may result in a situation where the sum totals presented may not exactly equal the sum totals for individual analytical items.

8.3 Discontinued operations

The Group did not recognise any discontinued operations in the consolidated financial statements.

8.4 Application of standards and interpretations effective from 1 January 2016

The interim consolidated financial statements and interim separate financial statements for the first half of 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) effective as of the reporting date, i.e. 30 June 2016, with application of the same accounting principles to all periods.

The adopted changes do not have a material effect on data presentation and measurement in these interim consolidated financial statements.

In preparing these consolidated financial statements, the Group decided against the earlier application of any standards published but not yet effective.

8.5 Key accounting principles

The accounting policy applied in preparing these consolidated financial statements for the first half of 2016 was the same as that used by the Group in preparing the consolidated financial statements for 2015.

A detailed description of the accounting policy is presented in the consolidated financial statements for 2015 (Notes from 10.2.10 to 10.2.30).

8.6 Segment reporting

Segment reporting identifies operating segments, which are a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses,
- whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available.

The chief decision maker to make decisions about resources to be allocated and assess segment performance is the Management Board of Emperia Holding. As a result of analysing the means of exercising supervision over the Company's business, its organisational structure, internal reporting system and current management model, and taking into consideration the aggregations criteria and quantitative thresholds set out in IFRS 8, Emperia Group's operating activities have been grouped into three operating segments, defined as follows:

- 1 **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o., alongside revenue transferred from the central management segment (from Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue,
- 2 **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN; Elpro Development S.A. and the property segment carved out of Emperia Holding S.A.
- 3 **Central Management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o.
- 4 **IT** (IT segment), covering the operations of Infinite Sp. z o.o. - an IT services provider.

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms. These transactions are subject to exclusion from consolidated financial statements, and in information about segment results is presented in the column "consolidation exclusions."

Segment information for H1 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 188 654	34 985	533	19 860	31 321	1 212 711
External revenue	1 188 648	11 164	3	12 896	-	1 212 711
Inter-segment revenue	6	23 821	530	6 964	31 321	-
Total segment costs	(1 185 167)	(20 179)	(2 360)	(15 548)	(32 276)	(1 190 978)
Profit on sales	3 487	14 806	(1 827)	4 312	(955)	21 733
Result on other operating activities	824	(446)	99	4	(109)	590
Result on financing activities	(788)	595	6 845	167	6 709	110
Gross result	3 523	14 955	5 117	4 483	5 645	22 433
Tax	(1 042)	(2 372)	325	(886)	91	(4 066)
Share of the profit of equity-accounted entities	-	-	-	-	-	-
Net segment result	2 481	12 583	5 442	3 597	5 736	18 367

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	533 371	1 259 581	469 932	24 778	1 276 565	1 011 097
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(35 053)	(1 018)	-	(725)	(175)	(36 621)
Depreciation / amortisation	(18 271)	(5 938)	(193)	(605)	(840)	(24 167)

Group external revenue by geographic area

The Group generates its revenue from sales within Poland (location of end customers). Revenue from foreign clients constitutes 0.3% of total revenue.

Key customers

Emperia Group's customer base is fragmented. None of the Group's customers have a dominant position or accounts for more than 10% share of revenue.

Segment information for H1 2015:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	957 226	35 917	887	18 929	30 528	982 431
External revenue	957 214	11 594	31	13 591	-	982 431
Inter-segment revenue	12	24 323	856	5 338	30 528	-
Total segment costs	(949 799)	(20 589)	(2 317)	(14 960)	(31 390)	(956 275)
Profit on sales	7 427	15 328	(1 430)	3 969	(862)	26 156
Result on other operating activities	(414)	7 465	593	(16)	496	7 132
Result on financing activities	(1 882)	(865)	10 535	136	8 810	(886)
Gross result	5 131	21 928	9 698	4 089	8 444	32 402
Tax	(513)	(2 092)	(30)	(801)	(106)	(3 330)
Share of the profit of equity-accounted entities	-	-	-	-	-	-
Net segment result	4 618	19 836	9 668	3 288	8 338	29 072

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	411 025	1 281 431	549 412	26 403	1 368 721	899 550
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(14 734)	(6 087)	-	(465)	(500)	(20 786)
Depreciation / amortisation	(15 996)	(5 981)	(350)	(475)	(867)	(21 935)

8.7 Mergers, share purchases or disposals, capital increases

a) Introduction of Emperia Holding S.A.'s shares to trading and change in share capital structure

On 14 January 2016, the Issuer introduced to stock-market trading 4 773 ordinary bearer shares series P, with nominal value of PLN 1 each.

Introducing the series P shares to trading was part of Emperia Holding S.A.'s Management Options Programme. The Company announced via current reports the terms and deadlines for registering the series P shares by the KDPW, as well as admission and introduction of the series P shares to stock-market trading.

From 14 January 2016, the Issuer's share capital amounts to PLN 13 240 268 and is divided into 13 240 268 ordinary bearer shares, with nominal value of PLN 1 each. The total number of voting rights carried by all of the Issuer's outstanding shares is 13 240 268.

The above share capital increase was registered in court on 29 February 2016.

b) Share capital increase at Eldorado Sp. z o.o.

On 25 February 2016, the Supervisory Board of Emperia Holding S.A. passed a resolution on increase of the Company's share capital from PLN 320 000 to PLN 342 000, i.e. by PLN 22 000, through the issue of 220 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for PLN 198 000 in cash. Excess of the cash consideration over the nominal value of the shares was transferred to supplementary capital.

c) Share capital increase at EKON Sp. z o.o.

On 25 February 2016, the Supervisory Board of Emperia Holding S.A. passed a resolution on increase of the Company's share capital from PLN 457 600 to PLN 492 000, i.e. by PLN 34 400, through the issue of 344 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for PLN 306 400 in cash. Excess of the cash consideration over the nominal value of the shares was transferred to supplementary capital.

d) Registration of share capital reduction at Emperia Holding S.A.

On 31 March 2016, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered a reduction in the share capital of Emperia Holding S.A. The capital reduction resulted from having cancelled 900 912 own shares bought back, which carried rights to 900 912 votes (6.799%) at the General Meeting and represented 6.799% of Emperia Holding S.A.'s share capital. Following the registration of changes, share capital amounted to PLN 12 340 049 and was divided into 12 340 049 ordinary bearer shares, which entitled to 12 340 049 votes at Emperia Holding S.A.'s General Meeting.

e) Sale of shares of subsidiaries within Emperia Group

On 29 June 2016, a share sale agreement was executed between IPOPEMA 55 FIZ AN ("Seller") and Elpro Development S.A. ("Buyer"), the subject of which is as follows:

- 80 825 shares of Elpro Ekon sp. z o.o. S.K.A., with nominal value of PLN 500 each, constituting 100% of Elpro Ekon sp. z o.o. S.K.A.'s share capital and 100% of its voting rights.
- 138 427 shares of P3 Ekon sp. z o.o. S.K.A., with nominal value of PLN 500 each, constituting 100% of P3 Ekon sp. z o.o. S.K.A.'s share capital and 100% of its voting rights.
- 56 047 shares of P5 Ekon sp. z o.o. S.K.A., with nominal value of PLN 500 each, constituting 100% of P5 Ekon sp. z o.o. S.K.A.'s share capital and 100% of its voting rights.

The investment constitutes a long-term capital deposit for Elpro Development S.A. The shares were purchased for a total of PLN 369 108 890.97. The transaction will be financed using own funds and by way of offsetting mutual debts between the Seller and the Buyer by 30 September 2016. The transaction is intended to streamline the merger process between Elpro Development S.A. and the companies being the subject of the above transaction.

Mergers, share purchases or disposals, capital increases - after the end of the reporting period

No such events took place at Emperia Group during the period.

9. Other significant information and events

9.1 Uniformity of accounting principles and calculation methods used in preparing interim financial statements and the previous annual financial statements

These financial statements were prepared in accordance with the Group's accounting principles, applied consistently since 1 January 2005, as described in detail in the 2015 consolidated annual financial statements.

9.2 Production seasonality and cyclicity

The Group's business is not subject to any significant seasonality or cyclicity.

9.3 Type and amount of non-typical items having an impact on assets, liabilities, equity, net financial result or cash flows, such as are non-typical due to their type, value or impact

Presented below are net one-off results generated on property disposal transactions:

	Q2 2016	Q2 2015	H1 2016	H1 2015
Proceeds from disposal of properties	330	-	330	13 764
Costs of disposal of properties	(282)	-	(282)	(14 746)
Reversal of consolidation adjustments	153	-	153	8 732
Gross profit	201	-	201	7 750
Current tax	(9)	-	(9)	-
Deferred tax	(29)	-	(29)	-
Net result	163	-	163	7 750

9.4 Type and amount of changes in estimated that which were published in previous interim periods of the present year or changes in estimated amounts published in previous financial years, if those had a substantial impact on the present interim period

Employee benefit provisions	Change in H1 2016	Change in 2015
Non-current		
As at the beginning of period	994	796
Increases / decreases during the period	(120)	198
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	874	994
Current		
As at the beginning of period	9 413	5 878
Increases / decreases during the period	1 099	3 534
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	10 512	9 412

Other provisions	Change in H1 2016	Change in 2015
Non-current		
As at the beginning of period	13 606	19 046
Increases / decreases during the period	(2 504)	(5 440)
Increases / decreases during the period as a result of acquisitions	-	-
As at the end of period	11 102	13 606
Current		
As at the beginning of period	9 214	9 673
Increases / decreases during the period	425	(459)
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	9 639	9 214

9.5 Issue, redemption and repayment of debt and equity securities

Bonds issued

a) ELPRO EKON Sp. z o.o. S.K.A.

Subsidiary ELPRO EKON Sp. z o.o. S.K.A. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by ELPRO EKON Sp. z o.o. S.K.A. in H1 2016 and in 2015:

Issue and buy-back of bonds in H1 2016	Total	External issuance	Emperia Holding S.A.	P5 EKON Sp. z o.o. S.K.A
As at the beginning of period	33 500	-	-	33 500
Issue of bonds	201 000	-	-	201 000
Buy-back of bonds	(201 000)	-	-	(201 000)
As at the end of period	33 500	-	-	33 500

Issue and buy-back of bonds in 2015	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
As at the beginning of period	33 500	-	33 500	-
Issue of bonds	368 460	-	301 460	67 000
Buy-back of bonds	(368 460)	-	(334 960)	(33 500)
As at the end of period	33 500	-	-	33 500

b) Stokrotka Sp. z o.o.

Subsidiary Stokrotka Sp. z o.o. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by Stokrotka Sp. z o.o. in H1 2016 and in 2015:

Issue and buy-back of bonds in H1 2016	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
As at the beginning of period	25 000	-	-	25 000
Issue of bonds	270 000	-	44 000	226 000
Buy-back of bonds	(250 000)	-	(34 000)	(216 000)
As at the end of period	45 000	-	10 000	35 000

Issue and buy-back of bonds in 2015	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
As at the beginning of period	100 000	-	100 000	-
Issue of bonds	584 845	-	524 845	60 000
Buy-back of bonds	(659 845)	-	(624 845)	(35 000)
As at the end of period	25 000	-	-	25 000

c) Elpro Development S.A.

Subsidiary Elpro Development S.A. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 200 000 000. Issue and buy-back of bonds (presented at par values) by Elpro Development S.A. in H1 2016 and in 2015:

Issue and buy-back of bonds in H1 2016	Total	External issuance	Elpro Ekon S.K.A	P5 EKON Sp. z o.o. S.K.A	P3 EKON Sp. z o.o. S.K.A	Infinite Sp. z o.o.
As at the beginning of period	139 500	-	28 000	59 000	45 500	7 000
Issue of bonds	297 500	-	72 000	121 000	92 500	12 000
Buy-back of bonds	(290 000)	-	(65 000)	(120 000)	(91 000)	(14 000)
As at the end of period	147 000	-	35 000	60 000	47 000	5 000

Issue and buy-back of bonds in 2015	Total	External issuance	Elpro Ekon S.K.A	P5 EKON Sp. z o.o. S.K.A	P3 EKON Sp. z o.o. S.K.A	Infinite Sp. z o.o.
As at the beginning of period	180 500	-	-	58 000	111 500	11 000
Issue of bonds	1 767 067	-	116 000	528 600	995 531	126 936
Buy-back of bonds	(1 808 067)	-	(88 000)	(527 600)	(1 061 531)	(130 936)
As at the end of period	139 500	-	28 000	59 000	45 500	7 000

In 2014 and 2015, Emperia Holding S.A. issued a total of 158 632 series A and B bonds convertible to series P shares. A proposal to purchase these bonds was submitted to Millennium Dom Maklerski S.A. In the course of 2014 and 2015, Emperia Holding S.A. bought back 156 654 series A and B bonds, as communicated by the Company via current reports.

Debt instrument liabilities as at 30 June 2016

Issuer	Series	Par value (in PLN 000s)	Maturity date	As at 30 June 2016
Stokrotka Sp. z o.o.	0155*	35 000	2016-08-12	
Stokrotka Sp. z o.o.	0155*	10 000	2016-08-12	
Elpro Ekon Sp. z o.o. S.K.A.	0172*	33 500	2016-08-12	
Elpro Development S.A.	0048*	35 000	2016-08-26	
Elpro Development S.A.	0048*	5 000	2016-08-26	
Elpro Development S.A.	0048*	60 000	2016-08-26	
Elpro Development S.A.	0048*	47 000	2016-08-26	
All bond issuance by the Group				-
Other				-
Total debt instrument liabilities				-
short-term				-
Non-current				-

* The bonds were purchased by Group companies that are subject to consolidation and as such are excluded in these financial statements.

Debt security liabilities as at 31 December 2015

Issuer	Series	Par value	Maturity date	As at 31 December 2015
Stokrotka Sp. z o.o.	0145*	25 000	2016-01-29	
Elpro Ekon Sp. z o.o. S.K.A.	0166*	33 500	2016-01-29	
Elpro Development S.A.	0043*	28 000	2016-03-25	
Elpro Development S.A.	0043*	7 000	2016-03-25	
Elpro Development S.A.	0043*	59 000	2016-03-25	
Elpro Development S.A.	0043*	45 500	2016-03-25	
All bond issuance by the Group				-
Other				-
Total debt instrument liabilities				-
short-term				-
Non-current				-

* The bonds were purchased by Group companies that are subject to consolidation and as such are excluded in these financial statements.

9.6 Paid out and proposed dividends

Dividends paid:

In 2016, Emperia Holding S.A. did not pay out a dividend as part of allocating its 2015 profit.

On 30 June 2016, the General Meeting of Emperia Holding S.A. adopted a resolution on use of Emperia Holding S.A.'s 2015 profit to cover prior-period losses and as reserve capital.

Dividends received:

The management board of subsidiary Infinite Sp. z o.o. passed a resolution on the payment of a dividend of PLN 6.674 million to Emperia Holding S.A. Furthermore, Elpro Development S.A.'s General Meeting passed a resolution on the payment of PLN 8 million in dividend to Emperia Holding S.A.

The dividend was paid within the Group's consolidated companies, thus is subject to exclusion from these financial statements.

9.7 Revenue and profit by operating segment

Revenue and profit by operating segment are presented in point 8.6.

9.8 Changes in off-balance sheet liabilities

Off-balance sheet liabilities concern collateral for credit facilities and bank guarantees provided to the Group, as well as security interests.

	H1 2016	Credit facilities	Bank guarantees	Security interests
Mortgages				
As at the beginning of period	-	-	-	-
<i>Increases during the period</i>	30 000	-	-	-
<i>Decreases during the period</i>	-	-	-	-
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-	-
As at the end of period	30 000	-	-	-
Transfer of ownership / pledge / assignment of current assets				
As at the beginning of period	-	15 000	-	-
<i>Increases during the period</i>	-	-	-	-
<i>Decreases during the period</i>	-	-	-	-
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-	-
As at the end of period	-	15 000	-	-
Guarantees				
As at the beginning of period	-	47 500	9 646	-
<i>Increases during the period</i>	-	-	6 500	-
<i>Decreases during the period</i>	-	-	(4 271)	-
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-	-
As at the end of period	-	47 500	11 875	-

Changes in off-balance sheet liabilities during 2015	Credit facilities	Bank guarantees	Security interests
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
Increases / decreases during the period as a result of acquisitions / disposals	-	-	-
As at the end of period	-	15 000	-
Guarantees			
As at the beginning of period	-	47 500	23 246
Increases during the period	-	-	2 250
Decreases during the period	-	-	(15 850)
Increases / decreases during the period as a result of acquisitions / disposals	-	-	-
As at the end of period	-	47 500	9 646

9.9 Impairment of property, plant and equipment, intangible assets, inventories and other assets, and reversal thereof

The means for recognising and reversing impairment losses on property, plant and equipment, inventory and receivables did not change in relation to those applied in the annual consolidated financial statements.

Impairment - recognition and reversal	Change in H1 2016	Change in 2015
Impairment of property, plant and equipment		
As at the beginning of period	(7 886)	(8 815)
Recognition	(167)	(383)
Reversal	76	1 312
Changes as a result of acquisitions / disposals	-	-
As at the end of period	7 977	(7 886)
Impairment of receivables		
As at the beginning of period	(10 742)	(9 794)
Recognition	(969)	(3 376)
Reversal	590	1 358
Changes as a result of acquisitions / disposals	-	-
Derecognised from statement of profit and loss*	558	1 070
As at the end of period	(10 563)	(10 742)
Impairment of inventories		
As at the beginning of period	(19 784)	(15 774)
Recognition	(8 232)	(19 952)
Reversal	10 173	15 942
zmiana odpisu w skutek przejęcia/zbycia jednostek	-	-
As at the end of period	17 843	(19 784)
including: Impairment losses on inventory control		
As at the beginning of period	(5 440)	(4 754)
Recognition	(7 955)	(16 627)
Reversal	9 535	15 942
Changes as a result of acquisitions / disposals	-	-
As at the end of period	(3 860)	(5 440)

including: Impairment losses on bonuses

As at the beginning of period		(14 110)	(10 879)
	Recognition	(277)	(3 231)
	Reversal	403	-
	Changes as a result of acquisitions / disposals	-	-
As at the end of period		(13 983)	(14 110)

including: Impairment of slow-moving inventories

As at the beginning of period		(235)	(141)
	Recognition		(94)
	Reversal	235	-
	Changes as a result of acquisitions / disposals		-
As at the end of period		-	(235)

* Receivables are derecognised where an impairment loss had been previously created and their unrecoverable status has been documented.

9.10 Reversal of cost restructuring provisions

Did not occur at the Group during H1 2016.

9.11 Deferred income tax

Deferred income tax assets	Change in H1 2016	Change in 2015
As at the beginning of period	22 009	18 272
Increase	1 620	6 120
Decrease	(2 152)	(2 383)
Change as a result of acquisition	-	-
As at the end of period	21 477	22 009

Deferred income tax provision	Change in H1 2016	Change in 2015
As at the beginning of period	4 497	2 681
Recognition	310	2 975
Reversal	(42)	(1 159)
Change as a result of acquisition	-	-
As at the end of period	4 765	4 497

9.12 Financial and operating leasing

a) Finance lease liabilities

Finance lease liabilities	30 Jun 2016	
	Minimum payments	Present value of minimum payments
Within 1 year	1 203	1 048
Within 1 to 5 years	1 204	1 147
Within more than 5 years	-	-
Total	2 407	2 195

Finance lease liabilities	31 Dec 2015	
	Minimum payments	Present value of minimum payments
Within 1 year	1 203	1 002
Within 1 to 5 years	1 806	1 683
Within more than 5 years	-	-
Total	3 009	2 685

b) Operating leasing

Did not occur in H1 2015 or in the comparative period.

c) Arrangements containing a lease component in accordance with IFRIC 4

H1 2016

Asset	Term of agreement	As at 30 Jun 2016	As at 30 Jun 2017	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	49 353	100 468	401 520	501 430
	unspecified	1 719	3 193	12 770	15 963
Technical equipment and machinery	specified	72	12	-	-
	unspecified	61	253	1 060	1 325
Means of transport	specified	3 893	6 970	11 569	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

2015

Asset	Term of agreement	As at 31 Dec 2015	As at 31 Dec 2016	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	90 715	95 224	380 191	474 920
	unspecified	2 326	2 526	10 104	12 630
Technical equipment and machinery	specified	28	167	-	-
	unspecified	97	101	404	505
Means of transport	specified	7 024	6 970	15 054	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

A 10-year period has been adopted for agreements with an undefined term.

9.13 Liabilities incurred in connection with purchase of property, plant and equipment

Liabilities in connection with purchase of property, plant and equipment were not recorded in H1 2016.

9.14 Correction of prior-period errors

Did not occur at the Group during H1 2016.

9.15 Non-repayment or infringement of credit facility agreements and lack of restructuring activities

Did not occur at the Group during H1 2016.

9.16 Other significant events

a) Buy-back programme at Emperia Holding S.A. carried out by subsidiary Elpro Development S.A.

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. during H1 2016 purchased, in block transactions, 200 014 shares of Emperia Holding S.A. for cancellation. At the date on which these financial statements were published, Elpro Development S.A. held a total of 267 671 shares in the Issuer, entitling to 267 671 (2.169%) votes at the Issuer's general meeting and constituting 2.169% of the Issuer's share capital.

On 30 March 2016, the Management Board of Emperia Holding S.A. passed a resolution to extend the "Buy-back programme at Emperia Holding carried out by Elpro Development S.A. in Lublin (formerly P1 Sp. z o.o.)" to 30 September 2016 and to increase the amount earmarked for share purchases under the programme to PLN 110 000 000.

On 31 March 2016, 900 291 own shares held by Emperia Holding S.A. were cancelled. Details on this subject are presented in point 6.2.10d).

b) Intra-group bond issuance

On 4 January 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 198.5 million.

On 29 January 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 68.5 million.

On 4 March 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 78.5 million.

On 25 March 2016, subsidiaries Stokrotka Sp. z o.o. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 141.5 million.

On 31 March 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 63.5 million.

On 27 April 2016, subsidiaries Elpro Ekon Sp. z o.o. S.K.A. and Stokrotka Sp. z o.o. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 73.5 million.

On 27 May 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., Stokrotka Sp. z o.o. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 225.5 million.

On 24 June 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Stokrotka Sp. z o.o. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 78.5 million.

c) Extraordinary General Meeting of Emperia Holding S.A.

An Extraordinary General Meeting of Emperia Holding S.A. was held on 5 April 2016. The subject of the EGM was a resolution on amendment of the Company's articles of association as regards change of the Company's registered office. The parent's registered office is located in Warsaw, ul. Puławska 2, building B (the registered office address was changed on 15 April 2016).

d) Ordinary General Meeting of Emperia Holding S.A.

An Ordinary General Meeting of Emperia Holding S.A. was held on 30 June 2016. The subject of the meeting was evaluation and approval of the management report on the Company's operations as well as its financial statements, including consolidated financial statements, for the previous financial year; adoption of a resolution concerning profit distribution or loss coverage, approval of Supervisory Board and Management Board members, adoption of resolutions on appointment of Supervisory Board members, adoption of a resolution on Supervisory Board member remuneration, adoption of resolutions on amendment of resolutions regarding consent to purchase Emperia Holding S.A.'s shares by Subsidiaries for cancellation, consent for executing agreements to purchase shares from Subsidiaries and consent for a bond issue, as well as consent for a bond issue.

e) Selection of entity authorised to audit financial statements for 2016

On 3 June 2016, the Management Board of Emperia Holding S.A. announced that the Supervisory Board, acting pursuant to art. 14 sec. 2 letter "o" of the Company's articles of association, passed a resolution selecting UHY ECA Audyt Sp. z o.o. Sp. k., based in Kraków, ul. Moniuszki 50, as auditor for Emperia Holding S.A.'s 2016 separate and consolidated financial statements and to review Emperia Holding S.A.'s interim separate and consolidated financial statements.

UHY ECA Audyt Sp. z o.o. Sp. k. is entered onto the list of entities authorised to audit financial statements, under number 3115. The Company retained the above statutory auditor to audit financial statements for 2010-2015.

9.17 Significant events after the end of the reporting period

a) Buy-back programme at Emperia Holding S.A. carried out by subsidiary Elpro Development S.A.

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. purchased during the period from 1 July 2016 to the date on which these financial statements were published, in block transactions, 14 170 shares of Emperia Holding S.A. for cancellation.

At the date on which these financial statements were published, Elpro Development S.A. held a total of 281 841 shares in the Issuer, entitling to 281 841 (2.284%) votes at the Issuer's general meeting and constituting 2.284% of the Issuer's share capital.

b) Execution of agreement for market-making services on WSE

On 26 July 2016, the Management Board of Emperia Holding S.A. executed an agreement with Trigon DM S.A. ("Market Maker") pursuant to which the Market Maker commits to serve as market maker for the Issuer on the Warsaw Stock Exchange in respect of the Issuer's shares and rights to shares listed on the WSE in accordance with binding legal regulations and provisions of the WSE's rules.

c) Intra-group bond issuance

On 12 August 2016, subsidiaries Elpro Ekon Sp. z o.o. S.K.A. and Stokrotka Sp. z o.o. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 78.5 million.

On 26 August 2016, subsidiary Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 137 million.

d) Notice on having exceeded 5% of total votes in Emperia Holding S.A.

On 22 August 2016, the Management Board of Emperia Holding S.A. received notification from MetLife PTE S.A. that a fund under its management, MetLife OFE, had increased its stake in Emperia Holding S.A. voting rights to over 5%. The increase in stake to over 5% took place following a purchase of the Company's shares on 12 August 2016. Directly prior to the change in stake, the fund held 601 073 shares, which constituted 4.87% of the Company's share capital and entitled to 601 073 votes at the Company's General Meeting, i.e. 4.87% of total voting rights.

Currently, the fund holds 632 417 shares, which constitutes 5.12% of the Company's share capital and entitled to 632 417 votes at the Company's General Meeting, i.e. 5.12% of total voting rights.

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

.....
Signature

.....
Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

.....
Signature

10. Semi-annual management report on Group operations

10.1 Description of Group structure

Name, registered office and economic activities of the parent entity

The Company, which uses the trading name Emperia Holding S.A., was registered under KRS no. 0000034566 by the District Court in Lublin, 11th Commercial Division of the National Court Register.

The parent's registered office is located in Warsaw, ul. Puławska 2, building B (the registered office address was changed on 15 April 2016).

Since 1 April 2007, the principal object of Emperia Holding S.A. is activities of holding companies (PKD 70.10.Z). The company is a VAT payer, with NIP no. 712-10-07-105.

The Parent's shares have been listed on the Warsaw Stock Exchange since 2001.

The financial year for Group companies is the calendar year. Group companies have been established for an indefinite period of time.

The consolidated financial statements are prepared for the period from 1 January 2016 to 30 June 2016, and the comparative financial data covers the period from 1 January 2015 to 30 June 2015. The consolidated financial statements do not contain combined data, and the companies do not have integral organisational entities that draft financial statements on their own.

The consolidated financial statements were drawn up on the assumption that the business will continue as a going concern and that there are no circumstances such as would pose a threat to the continuing operations of Group companies in the future.

Information on consolidation

Emperia Holding S.A. is the Group's parent and prepares the Group's consolidated financial statements.

As at 30 June 2016, consolidation includes Emperia Holding S.A. and 10 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., EMP Investment Limited, Ekon Sp. z o.o., IPOPEMA 55 FIZAN, Elpro Development S.A., Eldorado Sp. z o.o., P5 EKON Sp. z o.o. S.K.A.

During H1 2016, Emperia Group's structure was not subject to changes (compared with the 2015 year-end).

No.	Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	ELPRO EKON Sp. z o.o. S.K.A. (1)	20-209 Lublin, ul. Projektowa 1	Property development	392753, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2001-02-15	100.00%	100.00%
4	P3 EKON Sp. z o.o. S.K.A. (2)	20-209 Lublin, ul. Projektowa 1	Property management	407301, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2007-11-29	100.00%	100.00%
5	Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	509157, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
6	EKON Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Property management	367597, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
7	EMP Investment Ltd. (3)	Themistokli Dervi 3, JULIA HOUSE, P.C. 1066; Nicosia, Cyprus	Investments in property	HE 272278, Ministry of Commerce, Industry and Tourism, Company Registration Department Nicosia, Cyprus	Subsidiary	Full	2010-09-03	100.00%	100.00%

Consolidated financial statements as at 30 June 2016
(amounts in PLN 000s, unless otherwise stated)

Łódzkie Przedsiębiorstwo Rolno-Towarowe

Emperia Holding

8	Ipopema 55 FIZAN (4)	00-850 Warsaw, Waliców 11	Trusts, funds and similar financial instruments	RFI 591, Investment Fund Register maintained by the District Court in Warsaw	Subsidiary	Full	2010-12-09	100.00%	100.00%
9	Eldorado Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	03-10-2011	100.00%	100.00%
10	P5 EKON Sp. z o.o. S.K.A. (5)	20-209 Lublin, ul. Projektowa 1	Renting and operating of own or leased real estate	425738, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	24-11-2011	100.00%	100.00%

- (1) indirectly through Elpro Development S.A. (80 825 shares), EKON Sp. z o.o. (contribution)
(2) indirectly through Elpro Development S.A. (138 427 shares), EKON Sp. z o.o. (contribution)
(3) indirectly through Elpro Development S.A.
(4) indirectly by EMP Investment Limited
(5) indirectly through Elpro Development S.A. (56 047 shares), EKON Sp. z o.o. (contribution)

Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 30 June 2016

Entity name	Registered office	Share capital	Emperia's share in capital (% as at the end of the reporting period)	Emperia's share of voting rights (% as at the end of the reporting period)
1 "Podlaskie Centrum Rolno-Towarowe" S.A. (1)	Białystok ul. Gen. Wł. Andersa 40	11 115	0.30%	0.60%
(1) indirectly by P3 EKON Sp. z o.o. S.K.A.				

10.2 Effects of changes in group structure

All changes in the Group's structure are presented in detail in point 8.7

10.3 Management's position regarding previously published forecasts

The Management Board of Emperia Holding S.A. did not publish forecasts for 2016.

10.4 Shareholders with at least 5% of votes at the general meeting, at report publication date

Shareholders	Shares held, as at 30 June 2016	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published	Votes at 31 March 2016	% of votes at general meeting As at 30 June 2016
Ipopema TFI	1 458 583	11.82%	-	1 458 583	11.82%	1 458 583	12.10%
Altus TFI	1 449 528	11.75%	-	1 449 528	11.75%	1 449 528	12.02%
AXA OFE	977 481	7.92%	-	977 481	7.92%	977 481	8.11%
Aviva OFE	844 000	6.84%	-	834 991	6.77%	844 000	7.00%
NN OFE	755 713	6.12%	-	755 713	6.12%	755 713	6.27%

At 30 June 2016, Elpro Development S.A. held 267 671 shares of Emperia Holding S.A.

Information on shares issues and share redemptions in H1 2016 is presented in point 8.7. **Błąd! Nie można odnaleźć źródła odwołania.d)**

10.5 Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares held, as at 30 June 2016	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published
Dariusz Kalinowski	26 094	0.21%	-	26 094	0.21%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 30 June 2016	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published
Jarosław Wawerski	19 494	0.158%	-	19 494	0.158%

10.6 Information regarding on-going judicial proceedings

Legal case regarding breach of agreement

On 9 May 2012, the Management Board of Emperia Holding S.A. filed a suit with the Court of Arbitration at the Polish Chamber of Commerce against Ernst & Young Audit Sp. z o.o., having its registered office in Warsaw, for payment of PLN 431 053 618.65 as compensation for damages suffered by the Company as a result of the non-performance of an agreement between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o. The Company suffered damages due to the fact that Ernst & Young Audit Sp. z o.o. did not draft a report which was to constitute the basis for establishing a price for the shares being sold to Eurocash S.A. As a result of this non-performance of obligations by Ernst & Young Audit Sp. z o.o., a dispute arose between the Company and Eurocash S.A. regarding the share price. An arbitration proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.

On 2 January 2013, the Company received a decision of the Court of Arbitration at the Polish Chamber of Commerce of 11 December 2013, ruling that Ernst & Young Audit Sp. z o.o. pay the Company the following: PLN 795 000 with statutory interest from 6 April 2012 to payment date in damages for non-performance of an agreement executed between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o., along with PLN 839 180 for refund of the costs of the proceeding. The remaining part of the dispute was rejected.

On 17 February 2014, Ernst & Young Audit Sp. z o.o. paid PLN 795 000 in damages, PLN 109 108.77 in interest and PLN 839 180 in refund of the costs of proceedings, bringing the total to PLN 1 827 288.77. The transaction was recognised in the accounts in Q1 2014.

On 2 April 2014, the Management Board of Emperia Holding S.A. filed an appeal with the District Court in Warsaw, 20th Commercial Division, seeking for the ruling in court of Arbitration at the Polish Chamber of Commerce of 11 December 2013 to be overturned. In Emperia's opinion, the Court of Arbitration issued its ruling in violation of the principle legal regulations in Poland, including the principles concerning full compensation and absolute liability for damages. The Issuer believes that the ruling did not take into consideration some of the evidence, violated equal treatment rules and did not meet the requirements concerning composition of an arbitration body. The value of the dispute being appealed is PLN 430 258 619.

Tax probe by Treasury Control Office

On 1 March 2016, Emperia Holding S.A. received a protocol on the audit of its books, issued under control proceedings led by the Head of the Treasury Control Office in Lublin, concerning accuracy of the declared tax basis and correctness of CIT calculations and payments for 2011.

The protocol included a legal assessment stating that the Company generated additional tax income from the sale of its Distribution Segment in 2011, amounting to PLN 959 308 086.76.

The protocol is a public document that does not decide the case. However, if the protocol is approved via a decision by the Head of the Treasury Control Office in Lublin and subsequently this decision is received by the appeal authority (Head of Tax Chamber), the above may result in the Company having to pay tax arrears of PLN 182 268 537.00, together with interest for delay from 3 April 2012.

On 15 March 2016, the Company submitted to the Head of the Treasury Control Office in Lublin its comments regarding the protocol. The Company's Management Board and its tax advisers do not agree with the protocol's conclusions. The Company will undertake all available legal steps in order to show that these conclusions are groundless.

10.7 Significant related-party transactions

In H1 2016, Emperia Holding S.A. did not execute any significant transactions with related parties other than transactions in the ordinary course of business on market terms.

All intra-group mergers in H1 2016 are presented in point 8.7

Short-term bonds were issued as part of the Group's cash flow management, as described in note 9.5

10.8 Credit facilities, loans, sureties and guarantees

In H1 2016, the parent, Emperia Holding S.A., did not issue new credit guarantees for subsidiaries such as would exceed 10% of the Issuer's equity. A detailed description of the guarantees is presented in point 9.8.

10.9 Other information of consequence to the Group's HR situation, asset position and financial performance

10.9.1 Financial highlights and operational performance of the Group

According to the Management Board, results for Q2 2016 are in line with expectations. Revenue growth dynamics were a particular success (22.4% for Q2 and 23.4% for H1), despite strong market competition.

Item	Q2 2016	Q2 2015	%
Revenue from sales	607 247	496 089	22.4%
Profit on sales	168 148	144 565	16.3%
EBITDA	25 260	24 280	4.0%
Operating profit	13 019	13 393	-2.8%
Profit before tax	12 985	12 446	4.3%
Profit for the period	10 776	10 261	5.0%

Revenue from sales in Q2 2016 went up by 22.4% from the same period last year, to PLN 607 247 000. Second-quarter revenue was driven by growth in the retail segment.

Net profit in Q2 2016 was PLN 10 776 000, down 5.0% from the previous year.

One-off events having material impact on Group results in both of the reporting periods:

- In Q2 2016, gross profit on sale of property of PLN 201 000 was recognised, whereas no gross profit on sale of property was recognised in Q2 2015,
- In Q2 2016, the retail segment incurred one-off costs connected with store closures of PLN 6 000, versus PLN 811 000 in Q2 2015,
- In Q2 2016, the retail segment did not incur costs connected with contractual penalties and compensation, while in Q2 2015 these costs amounted to PLN 2 032 000,
- In Q2 2016, the retail segment incurred one-off costs connected with new store openings of PLN 628 000, versus PLN 582 000 in Q2 2015,

Item	H1 2016	H1 2015	%
Revenue from sales	1 212 711	982 431	23.4%
Profit on sales	329 546	284 795	15.7%
EBITDA	46 490	55 223	-15.8%
Operating profit	22 323	33 288	-32.9%
Profit before tax	22 433	32 402	-30.8%
Profit for the period	18 367	29 072	-36.8%

Revenue in H1 2016 went up by 23.4% from the same period last year, to PLN 1 212 711 000. H1 2016 revenue was driven by growth in the retail segment.

Net profit in H1 2016 was PLN 18 367 000, down 36.8% from the previous year.

One-off events having substantial impact on H1 2016 and H1 2015 results:

- In H1 2016, a gross profit of PLN 201 000 on property sales was recognised, compared to PLN 7 750 000 in gross profit in H1 2015,
- In H1 2016, the retail segment incurred one-off costs connected with store closures of PLN 41 000, and PLN 1 429 000 in H1 2015,
- In H1 2016, PLN 716 000 in costs connected with the payment of contractual penalties and compensation was incurred, compared to PLN 2 187 000 in H1 2015,
- In H1 2016, the retail segment incurred one-off costs connected with new store openings of PLN 2 410 000, and PLN 1 476 000 in H1 2015,

Changes in key balance sheet items

Item	H1 2016	H1 2015	%
Total assets	1 011 097	899 550	12.4%
Non-current assets	631 641	581 729	8.6%
Current assets	379 456	317 821	19.4%
Cash and cash equivalents	83 359	58 510	42.5%
Liabilities and liability provisions	410 323	314 076	30.6%
Total current liabilities	388 291	291 129	33.4%
Net assets	600 774	585 474	2.6%
Share capital (in PLN)	12 340 049	13 192 018	-6.5%
Current-period earnings per share, annualised (in PLN)	3.10	3.33	-6.9%

Operational performance and ability to meet liabilities

Item	H1 2016	H1 2015
Return on invested capital <i>(profit for the period / equity at the end of the period) in %</i>	3.06%	4.97%
Return on assets <i>(profit for the period / assets at the end of the period) in %</i>	1.82%	3.23%
Sales margin <i>(profit from sales for the period / revenue from sales for the period) in %</i>	27.17%	28.99%
EBITDA margin <i>(EBITDA / revenue from sales for the period) in %</i>	3.83%	5.62%
Operating margin <i>(operating profit for the period / revenue from sales for the period) in %</i>	1.84%	3.39%
Gross margin <i>(profit before tax for the period / revenue from sales for the period) in %</i>	1.85%	3.30%
Net margin <i>(profit for the period / revenue from sales for the period) in %</i>	1.51%	2.96%

Turnover cycles for key components of working capital

Methodology	H1 2016	H1 2015
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*182)</i>	45.8	45.5
Receivables turnover days <i>(current receivables / revenue from sales*182)</i>	9.7	9.1
Payables turnover days <i>([current liabilities - current borrowings] / value of goods for resale and materials sold*182)</i>	79.0	77.1
Asset productivity <i>(revenue from sales / total assets)</i>	1.2	1.1
Non-current asset productivity <i>(revenue from sales / non-current assets)</i>	1.9	1.7

In H1 2016, inventory turnover ratio decreased by 0.3 days, receivables turnover by 0.6 days, while payables turnover increased by 1.9 days. Changes in specific elements of working capital had positive impact on the cash conversion cycle, which improved by one day. Asset productivity ratio improved by 0.1, while non-current asset productivity went up by 0.2.



Retail segment

	Q2 2016	Q2 2015	%
Segment revenue	595 312	484 791	22.80%
Profit on sales	163 660	139 238	17.54%
EBITDA	13 343	12 736	4.77%
Operating result	4 071	4 802	-15.22%
Gross profit	3 613	3 985	-9.34%
Net segment result	2 923	3 043	-3.94%

Revenue from sales in Q2 2016 went up by 22.80% from the same period last year, to PLN 595 312 000. Second-quarter revenue was driven by a substantial increase in revenue from existing and newly-opened stores. Net profit in Q2 2016 was PLN 2 923 000, down 3.94% from the previous year.

One-off events having material impact on retail-segment results in both of the reporting periods:

- In Q2 2016, the retail segment incurred one-off costs connected with store closures of PLN 6 000, versus PLN 811 000 in Q2 2015,
- In Q2 2016, the retail segment did not incur costs connected with contractual penalties and compensation, while in Q2 2015 these costs amounted to PLN 2 032 000,
- In Q2 2016, the retail segment incurred one-off costs connected with new store openings of PLN 628 000, versus PLN 582 000 in Q2 2015,

	H1 2016	H1 2015	%
Segment revenue	1 188 654	957 226	24.18%
Profit on sales	320 560	274 656	16.71%
EBITDA	22 582	23 009	-1.86%
Operating result	4 311	7 013	-38.53%
Gross profit	3 523	5 131	-31.34%
Net segment result	2 481	4 618	-46.28%

Retail-segment revenue from sales in H1 2016 went up by 24.18% from the same period last year, to PLN 1 188 654 000. H1 2016 revenue was driven by a substantial increase in revenue from existing and newly-opened stores. Net profit in H1 2016 was PLN 2 481 000, down 46.28% from the previous year.

One-off events having substantial impact on H1 2016 and H1 2015 results:

- In H1 2016, the retail segment incurred one-off costs connected with store closures of PLN 41 000, and PLN 1 429 000 in H1 2015,
- In H1 2016, PLN 716 000 in costs connected with the payment of contractual penalties and compensation was incurred, compared to PLN 2 187 000 in H1 2015,
- In H1 2016, the retail segment incurred one-off costs connected with new store openings of PLN 2 410 000, and PLN 1 476 000 in H1 2015,

Stokrotka stores

	H1 2016	H1 2015
Number of stores at the beginning of period	327	252
- stores opened	28	16
- stores shut-down*/	7	4
Number of stores at the end of period, including:	348	264
- own supermarkets	246	223
- own markets	70	34
- franchise stores	32	7
Average total store surface - stores opened (in sqm)	479	443
Capex on own stores opened	18 682	9 360

Further dynamic development of the retail chain is taking place in 2016. As at the end of H1 2016, the retail segment comprised 348 retail stores, vs. 264 as at the end of H1 2015. In H1 2016, a total of 28 stores were opened (including 5 franchise locations), and 7 were closed down. In H1 2015, a total of 16 stores were opened (including 4 franchise locations), and 4 were closed down.

Stokrotka store results (on a like-for-like basis)

	H1 2016	H1 2015
Revenue from product sales	938,3	880,8
Store operating costs	206,8	205,2
Operating costs as % of revenue	22.0%	23.3%
EBITDA	57,7	56,1
% EBITDA	6.1%	6.4%

Data - 240 Stokrotka stores operating at the end of 2014

Stokrotka headquarters

	H1 2016	H1 2015
central management costs as % of revenue from sales	2.2%	2.4%
marketing costs as % of revenue from sales	1.0%	0.9%

Cash conversion cycle in the retail segment

	H1 2016	H1 2015
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*182)</i>	43.1	45.1
Receivables turnover days <i>(trade receivables / revenue from sales*182)</i>	5.6	4.6
Payables turnover days <i>(trade payables / value of goods for resale and materials sold*182)</i>	62.8	59.0
Cash conversion cycle <i>(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)</i>	-14.1	-9.3

The cash conversion cycle in the retail segment increased by 4.8 days in H1 2016, resulting from an increase in payables turnover by 3.8 days and decrease in receivables turnover by 2 days and increase of receivables turnover by 1 day.



Property segment

	Q2 2016	Q2 2015	%
Segment revenue	17 326	17 977	-3.62%
EBITDA	10 112	10 448	-3.22%
Operating result	7 148	7 495	-4.63%
Gross profit	7 391	6 809	8.55%
Net segment result	6 258	5 768	8.50%

Property-segment revenue in the second quarter of 2016 went down by 3.62%, as compared with the same period last year, reaching PLN 17 326 000.

The segment's net profit in Q2 2016 was PLN 6 258 000, down 8.50% from the previous year.

One-off events having material impact on retail-segment results in both of the reporting periods: in Q2 2016, gross profit on sale of property of PLN 201 000 was recognised, whereas no gross profit on sale of property was recognised in Q2 2015,

	H1 2016	H1 2015	%
Segment revenue	34 985	35 917	-2.59%
EBITDA	20 298	28 774	-29.46%
Operating result	14 360	22 793	-37.00%
Gross profit	14 955	21 928	-31.80%
Net segment result	12 583	19 836	-36.56%

Property-segment revenue in the first half of 2016 went down by 2.59%, as compared with the same period last year, reaching PLN 34 985 000.

The segment's net profit in H1 2016 was PLN 12 583 000, down 36.56% from the previous year.

One-off events having material impact on retail-segment results in both of the reporting periods: In H1 2016, a gross profit of PLN 201 000 on property sales was recognised, compared to PLN 7 750 000 in gross profit in H1 2015,

	H1 2016	H1 2015
Number of properties at the end of period	90	92
including: properties in progress	5	8
operating properties	85	84
including: retail properties	79	78
other properties	6	6
average monthly net operating income from leasable facilities*	3 594	3 564
including: retail properties	3 291	3 266
leasable area of retail facilities (sqm)	87 702	87 897
including: related tenants	55 844	54 197
other tenants	31 858	33 700
average lease rate (PLN per sqm)	42.1	41.8
including: related tenants	43.5	43.4
other tenants	39.7	39.2

infinite
IT Solutions



IT segment

	Q2 2016	Q2 2015	%
Segment revenue	9 637	7 958	21.10%
EBITDA	2 679	1 793	49.41%
Operating result	2 348	1 551	51.39%
Gross profit	2 486	1 643	51.31%
Net segment result	1 998	1 317	51.71%

IT-segment revenue from sales in Q2 2016 went up by 21.10% from the same period last year, to PLN 9 637 000. The segment's net profit in Q2 2016 was PLN 1 998 000, up 51.71% from the previous year.

	H1 2016	H1 2015	%
Segment revenue	19 860	18 929	4.92%
EBITDA	4 921	4 428	11.13%
Operating result	4 316	3 953	9.18%
Gross profit	4 483	4 089	9.64%
Net segment result	3 597	3 288	9.40%

IT-segment revenue from sales in H1 2016 went up by 4.92% from the same period last year, to PLN 19 860 000. The segment's net profit in H1 2016 was PLN 3 597 000, up 9.40% from the previous year.

	Q2 2016	Q2 2015	%
Revenue from sale of services	8 175	6 519	25.40%
<i>including: external</i>	5 916	4 601	28.58%
Revenue from sale of goods and materials	1 462	1 439	1.60%
<i>including: external</i>	449	884	-49.21%
Total revenue	9 637	7 958	21.10%
<i>including: external</i>	6 365	5 485	16.04%

	H1 2016	H1 2015	%
Revenue from sale of services	16 593	13 668	21.40%
<i>including: external</i>	12 148	9 510	27.74%
Revenue from sale of goods and materials	3 267	5 261	-37.90%
<i>including: external</i>	748	4 081	-81.67%
Total revenue	19 860	18 929	4.92%
<i>including: external</i>	12 896	13 591	-5.11%

In Q2 2016, segment revenue to external customers constituted 66.05% of total revenue from sales, while in Q2 2015 it accounted for 68.92%.

In Q2 2016, segment revenue from sale of services to external customers constituted 72.37% of total service revenue, while in Q2 2015 it accounted for 70.58%.

In H1 2016, external revenue constituted 64.93% of total revenue, and in H1 2015: 71.80%.

In H1 2016, segment revenue from sale of services to external customers constituted 73.21% of total service revenue, while in H1 2015 it accounted for 69.58%.

Central management segment

	Q2 2016	Q2 2015	%
Segment revenue	310	418	-25.84%
EBITDA	(951)	(633)	-
Operating result	(1 050)	(790)	-
Gross profit	5 702	8 484	-32.79%
Net segment result	5 868	8 615	-31.89%

	H1 2016	H1 2015	%
Segment revenue	533	887	-39.91%
EBITDA	(1 535)	(487)	-
Operating result	(1 728)	(837)	-
Gross profit	5 117	9 698	-47.24%
Net segment result	5 442	9 668	-43.71%

The segment's key profit items in both periods were interest and dividend income. Interest income in H1 2016 was PLN 171 000, compared with PLN 1 535 000 in H1 2015. Dividend income in H1 2016 was PLN 6 674 000, compared with PLN 9 000 000 in H1 2015.

10.9.2 Extraordinary events having an impact on annual performance

The event is described in point 9.3.

10.9.3 Changes in composition of the Issuer's Management Board and Supervisory Board

Management Board



Dariusz Kalinowski – President of the Management Board

- 13 years with Emperia Holding S.A.
- Graduated from the Economics Department at the University of Szczecin
- MBA from the European University Centre for Management Studies in Switzerland
- President of the Management Board, Stokrotka Sp. z o.o.



Cezary Baran – Vice-President of the Management Board

- 15 years with Emperia Holding S.A.
- Graduated from the Economics Department at the Maria Curie Skłodowska University in Lublin
- Investment adviser licence no. 241
- Member of the Management Board, Finance Director, Stokrotka Sp. z o.o.

In H1 2016, the composition of the Management Board of Emperia Holding S.A. remained unchanged.

On 3 June 2016, the Supervisory Board of Emperia Holding S.A. re-appointed existing members of the Issuer's Management Board - Dariusz Kalinowski and Cezary Baran - for a new term.

Supervisory Board

Artur Kawa – Chairman of the Supervisory Board

- Co-founder of Emperia Holding S.A.
- Was President of the Management Board, Emperia Holding S.A. from founding to 2013
- Graduated from the Electrics Department at the Technical University in Lublin
- MBA from the University of Minnesota

Artur Laskowski – Member of the Supervisory Board

- Co-founder of BOS S.A. (acquired by Emperia Holding S.A.), long-term management board member of the Company

Michał Kowalczewski – Independent Member of the Supervisory Board

- PhD in economic sciences; graduate of Warsaw School of Economics (SGH) Finance and Statistics Department

The composition of Emperia Holding S.A.'s Supervisory Board did not change during H1 2016.

Jarosław Wawerski – Member of the Supervisory Board

- Co-founder of Emperia Holding S.A.
- Graduated from the Electrics Department at the Technical University in Lublin
- Vice-President of the Management Board, Emperia Holding S.A. during 1995-2012

Aleksander Widera – Member of the Supervisory Board

- Higher education, graduate of the Finance and Banking faculty at the Warsaw School of Economics and post-graduate studies in management at the same university

On 30 June 2016, an Ordinary General Meeting of Emperia Holding S.A. re-appointed Artur Kawa and Michał Kowalczewski Laskowski for a new term.

10.10 Factors having an impact on the results to be achieved over the perspective of at least the next half-year

External:

- a) Domestic macroeconomic situation, as measured by indicators: GDP growth, unemployment rate, net household income, inflation/deflation
- b) Changes in tax laws
- c) Changes in the FMCG market
- d) Growth in prices of products and services used by the Group, in particular fuel and electricity
- e) Policies of financial institutions with regard to the financing of businesses and consumers (interest rates, loan margins, collateral)
- f) Job market conditions and costs of employment
- g) Conditions on the property market, in particular the development segment

Internal:

- a) Business process optimisation (improved operating performance and higher management quality in all segments),
- b) Streamlined structure of the property segment,
- c) Internal cost control policy,
- d) Effectiveness improvements in in-house logistics within the retail segment
- e) Growth dynamic of the Stokrotka retail chain

10.11 Risk factors

External:

Macroeconomic situation - macroeconomic conditions and GDP growth in Poland are particularly important for the Group, especially external factors such as: government's economic policy and decisions made by the National Bank of Poland and the Monetary Policy Council having an impact on money supply, interest rates, currency rates, GDP growth, inflation/deflation, budget deficit, foreign debt and the unemployment rate.

Unfavourable changes in the macroeconomic background, particularly lower GDP growth or increase in unemployment, may have a negative impact on the Group's business and financial performance.

Tax system and legislative changes - tax settlements and other areas of business that are subject to regulations may be the object of audit by administrative organs which are authorised to impose steep penalties, sanctions and interest. A lack of well-established legal regulations in Poland results in a lack of transparency and inconsistencies when it comes to interpreting the law. Frequent changes to regulations concerning VAT, corporate income tax, individual income tax and social security result in there being no reference to well-established regulations or no legal precedence. Frequent diverging opinions as regards interpreting tax laws both among tax authorities internally and between tax authorities and companies produce unclear, conflicting positions. These circumstances mean that tax risk in Poland is substantially higher than in countries with a more developed tax system.

Tax settlements may be the subject of an audit for a period of five years, counting from the end of the year in which tax was paid. As a result of future audits, the Group's previous tax settlements may be increased by additional tax liabilities.

Competition in retail - the Group's developing medium-format chain is located for the most part in medium and small cities. These areas are the subject of intense pressure from discount chains. Given the increasing saturation in large cities, even large international retailers are stepping up their efforts in smaller towns - i.e. the Group's traditional markets. Current and planned initiatives by the Company's competitors - retail chain operators - may lead to a lower revenue growth at the Group's retail chains as well as to margin pressure, which would have a negative impact on future financial results. In addition, actions by competitors may make it more difficult and/or more expensive to procure new attractive locations.

Internal:

Segment consolidation - the Group is optimising and re-designing its operating segments: retail, IT and property. The large scale and promptness of these changes may give rise to operational risk, understood as losses due to their incompatibility or unreliability with regard to their impact on internal processes, employees and systems. This may result in temporary losses and delays in expected synergies.

IT systems and associated technical infrastructure - the application of uniform, modern and efficient IT systems is of key significance in business processes. Equally important is the associated technical infrastructure which provides fast, reliable connectivity and data processing. The Group constantly develops, standardises and upgrades IT solutions by developing its own tools and purchasing new offerings. It is possible that potential interruptions in IT system operations could lead to interruptions in business processes and result in lower quality of service.

Acquisitions - generating a higher rate of corporate growth through M&A is a significant element of the Group's strategy. There is a risk that, in the case of certain entities with which the Group is in talks on consolidation, the Group might need to abandon its investment plans because transactions initially identified as attractive may be associated with too much risk or the transaction price expected by the owners of such entities may not be economically justifiable. Also in the case of completed transactions, it may be possible that future financial performance of the acquired entities and the synergy effects will be lower than expected. As a result, the Group's consolidation activities might not translate into growth in revenue and earnings or the acquisition costs may prove too high in relation to the achieved effects.

Suppliers - operating in FMCG retail, the Group has contracts with numerous suppliers, which provide for discounts and favourable payment terms. Despite the fact that none of the Group's companies is dependent on specific suppliers, there is a risk that terminating contracts or negatively changing their terms, especially if this were to happen with a large number of contracts, may have a negative impact on the Group's financial performance.

10.12 Charitable work at Emperia Group

Charitable work plays a significant role in our Group's policy, as evidenced by the Emperia Foundation and a number of programmes focused on helping those in need.



The Emperia Foundation was established in 2010. It helps out those employees and their loved ones who are faced with difficulties. The Foundation helps out employees and their families - children, spouses and parents - as well as former employees who are now retired. The Foundation also contributes to the development of children and youth. The Foundation co-finances medicine purchases and doctor visits as well as covers the costs of rehabilitation and health travel. The Foundation also supports its beneficiaries in obtaining other forms of assistance.



The Stokrotka Helps competition is focused on voluntary work by our staff. In successive editions of the competition, our employees achieved fantastic results. They have so far completed 18 projects, in which over 100 volunteers from Stokrotka Sp. z o.o. participated.



The initiative consisted of preparing Christmas gifts for a selected family in need. Stokrotka volunteers came together in various groups across Poland and selected families which they wanted to help (based on detailed descriptions of the families' situation and needs). The next stage was preparing packages which were then sent to a warehouse to which a given family was assigned and subsequently sent to the recipients. The Christmas packages, which were received by nearly 12 000 families all around Poland, were worth close to PLN 20 million in total.



Blood drive

Just like every year since 2011, a blood drive for all our employees is being held at the Group's central office. A special bus equipped with mobile blood drawing equipment is brought in for the occasion, and our employees are eager to donate blood right in our car park. The blood drives are a response to the Centre's appeal to replenish drastically low levels of blood stores which are essential to saving lives.



Share-a-Meal Programme

The Stokrotka supermarket chain was a commercial partner of the Share-a-Meal programme. The programme is aimed at combating malnourishment among children and is based on the cooperation of numerous persons and organisations. So far, 10 million meals have been prepared. Aside from measurable results in the form of meals delivered to children, the programme has a social-education component. This includes: raising social awareness of malnourishment among children and activating local leaders and organisations to act towards resolving this problem. Thanks to the activities and ideas of many people, the programme is one of Poland's most popular, engaging several thousand of participants and volunteers.



Environmental protection

Environmental protection is one of the 21st century's largest challenges for humanity. Global problems can be solved only if we all take action. Stokrotka employs 7 500 people across 341 stores, 10 warehouses and at its headquarters. We serve thousands of customers every day. Given such a large number of people and locations, we implement the following pro-environment initiatives:

- collecting plastic caps, which also supports charitable organisations
- gathering used batteries and delivering them for safe utilisation
- providing biodegradable bags
- saving light - thanks to energy-efficient light bulbs and through educating our employees
- waste sorting



Mammobuses

Stokrotka has joined a breast cancer prevention campaign. Mammobuses, mobile breast cancer buses that offer specialty screening services, can often be found at our supermarkets across Poland.



Donation drive for animal shelter

Our company has decided to become involved in helping animals. In the central office around Christmas we collect food, blankets and towels for an animal shelter in Lublin. We wanted to raise our employees' awareness of the everyday problems faced by animal shelters in Poland. These are over-crowding and lack of sufficient funding to meet the animals' needs, particularly visible in the winter. The campaign met with very strong interest, thanks to which homeless animals from the Lublin area received a lot of gifts.

Miesięczne Praktyki Bezpłatne

Our Company values our employees' creativity, involvement and pro-active attitude, which is why we make plenty of young, inexperienced hires - often, graduates from a wide array of studies.

Stokrotka's internships for students and graduates are open all-year-round. Each month, we accept about 10 interns. We offer full-time employment for the best of them.

We've been continuously working with universities and student organisations for a number of years now. One of our key offerings for students is the internship - which allows meeting the Company and gaining first, valuable professional experience.

Benefits for interns:

- interesting, valuable professional experience,
- new skills and practical on-the-job know how,
- getting to know the Company - its standards and expectations towards future employees,
- internship as an important addition on the CV.

Letnia Szkoła Menadżera

The Summer School for Managers is a paid summer internship programme at the various departments of our company's headquarters.

What do you gain from attending the Summer School for Managers?

- Salary
- Valuable professional experience
- Familiarity with one of the largest FMCG companies
- Opportunity to work on business projects under professional supervision
- Participation in personalised training
- We later hire many of the graduates of these internships.



Open Days

Our Company organises Open Days for students at our headquarters in Lublin on a regular basis. Thanks to this initiative, young people can get to know the company and the business areas that are of interest to them. Many of these visitors later apply for unpaid internships, the Summer School for Managers and specific job ads. We are glad that we continue to meet the needs of students.



Internship and Job Fair

We participate in internship and job fairs throughout Poland on a regular basis. We believe that people who actively look for work will be interested in what we have to offer. We are certain that because of our involvement in the job market we gain valuable and loyal employees, at the same time polishing our company's image as an employer.



Facebook profile for students

With a view toward reaching a wide audience online, we have created a source of information and communications - the Facebook profile "Stokrotka-sprawdź nas w praktyce". We show our potential interns and employees the company life, not necessarily just the formal one. We want to encourage them to get interested in our business.



Employee Rewards

In line with our values, we try to appreciate and recognise our employees. Store and headquarters employees are rewarded for their involvement and client-centric attitudes. Aside from rewarding solid work, we also organise numerous competitions that stimulate creativity and openness. One of such competitions is the Simple Idea - Huge Benefits event, where employees can submit their ideas for innovation during work hours.



Sponsorship

We see strong potential in the company's being socially engaged. We value local initiatives, which often draw large crowds. Supporting local events, campaigns and such also creates a marketing opportunity.



Running team

We support our employees' passions and we help to foster them. At the same time, we want to promote our company. At the initiative of our most top running aficionados, the Stokrotka Team was established. It is supported by our company in terms of marketing and funding. We are proud of our employees.



Stokrotka Passions

Our employees are active not only at work. They partake in diverse, fascinating activities in their free time. We want to support such active behaviours because we believe that a happy employee is also full of passion in his or her professional life. Therefore, we have launched the Stokrotka Passions Programme which co-finances hobbies for our employees.

Warsaw, August 2016

Signatures of all Management Board members:

2016-08-29 Dariusz Kalinowski President of the Management Board

Signature

2016-08-29 Cezary Baran Vice-President of the Management Board, Finance Director

Signature

Signatures of persons responsible for book-keeping

2016-08-29 Elżbieta Świniarska Economic Director

Signature