Emperia Holding

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2017

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

WARSAW

Contents

(amounts in PLN 000s, unless otherwise stated)

1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2017 to 30 Jun 2017	For the period from 1 Jan 2016 to 30 Jun 2016	For the period from 1 Jan 2017 to 30 Jun 2017	For the period from 1 Jan 2016 to 30 Jun 2016
I.	Net revenue from sale of products, goods and materials	1 232 069	1 172 499	290 076	267 663
II.	Operating profit (loss)	24 966	22 323	5 878	5 096
III.	Profit (loss) before tax	24 529	22 433	5 775	5 121
IV.	Profit (loss) for the period	22 203	18 367	5 227	4 193
V.	Net cash flows from operating activities	12 661	3 067	2 981	700
VI.	Net cash flows from investing activities	(5 437)	(20 267)	(1 280)	(4 627)
VII.	Net cash flows from financing activities	(6 307)	(3 234)	(1 485)	(738)
VIII.	Total net cash flows	917	(20 436)	216	(4 665)
IX.	Total assets	1 073 907	1 062 813	254 089	240 238
X.	Liabilities and liability provisions	429 656	436 545	101 658	98 677
XI.	Non-current liabilities	17 011	20 034	4 025	4 528
XII.	Current liabilities	412 645	416 511	97 633	94 148
XIII.	Equity	644 251	626 268	152 431	141 561
XIV.	Share capital	12 342	12 342	2 920	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 940 998	12 138 215	11 940 998	12 138 215
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	4.55	3.10	1.07	0.71
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	4.55	3.10	1.07	0.71
XIX.	Book value per share* (in PLN/EUR)	53.95	51.82	12.76	11.71
XX.	Diluted book value per share** (in PLN/EUR)	53.95	51.82	12.76	11.71
XXI.	Dividend per share (in PLN/EUR)	-	-	-	-

* 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 2017 (January-June): 11 940 998
– for H1 2016 (January-June): 12 138 215

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 2017 was EURPLN 4.2474 and for H1 2016: EURPLN 4.3805.
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 2017: EURPLN 4.2265; 31 December 2016: EURPLN 4.4240.

(amounts in PLN 000s, unless otherwise stated)

2. Consolidated statement of financial position

Assets	30 Jun 2017 Unaudited	31 Dec 2016 Audited
Non-current assets	**612 234**	**609 180**
Property, plant and equipment	388 668	386 866
Investment properties	121 618	123 441
Intangible assets	3 791	4 118
Goodwill	52 044	52 044
Financial assets	38	37
Non-current loans	238	263
Non-current receivables	6 826	5 532
Deferred income tax assets	20 357	18 053
Other non-current prepayments	18 654	18 826
Current assets	**461 673**	**453 633**
Inventories	232 690	217 962
Receivables	67 226	80 733
Income tax receivables	160	656
Prepayments	13 394	6 087
Cash and cash equivalents	147 349	146 432
Other financial assets	854	1 763
Total assets	**1 073 907**	**1 062 813**

(amounts in PLN 000s, unless otherwise stated)

Equity and liabilities	30 Jun 2017 Unaudited	31 Dec 2016 Audited
Equity	**644 251**	**626 268**
Share capital	12 342	12 342
Share premium	419 964	419 964
Supplementary capital	99 905	99 905
Reserve capital	90 771	72 766
Own shares	(27 540)	(23 320)
Retained earnings	48 809	44 611
Total equity attributable to owners of the parent	**644 251**	**626 268**
Non-controlling interests	-	-
Total non-current liabilities	**17 011**	**20 034**
Credit facilities, loans and debt instruments	-	600
Non-current liabilities	1 589	3 472
Provisions	8 376	10 474
Deferred income tax provision	7 046	5 488
Total current liabilities	**412 645**	**416 511**
Credit facilities, loans and debt instruments	1 277	1 122
Current liabilities	383 933	388 725
Income tax liabilities	529	613
Provisions	18 806	18 734
Deferred revenue	8 100	7 317
Total equity and liabilities	**1 073 907**	**1 062 813**

	30 Jun 2017 Unaudited	31 Dec 2016 Audited
Book value	644 251	626 268
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 940 998	12 086 113
Diluted number of shares	11 940 998	12 086 113
Book value per share (in PLN)	52.20	50.74
Book value per share (in PLN)*	53.95	51.82
Diluted book value per share (in PLN)**	53.95	51.82

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

Warsaw,

Signatures of all Management Board members:

Dariusz Kalinowski	President of the Management Board	.... Signature
Cezary Baran	Vice-President of the Management Board, Finance Director	.... Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska	Economic Director	.... Signature

(amounts in PLN 000s, unless otherwise stated)

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

Statement of profit and loss	3 months ended 30 Jun 2017 Unaudited	6 months ended 30 Jun 2017 Unaudited	3 months ended 30 Jun 2016 Unaudited	6 months ended 30 Jun 2016 Unaudited
Revenue from sales	**631 715**	**1 232 069**	**585 780**	**1 172 499**
- from subsidiaries	-	-	-	-
Revenue from sale of services	13 960	27 581	16 325	31 500
Revenue from sale of goods and materials	617 755	1 204 488	569 455	1 140 999
Cost of sales	**(450 739)**	**(879 188)**	**(417 632)**	**(842 952)**
- to subsidiaries	-	-	-	-
Cost of manufacture of services sold	(7 302)	(14 553)	(7 113)	(14 575)
Value of goods and materials sold	(443 437)	(864 635)	(410 519)	(828 377)
Profit on sales	**180 976**	**352 882**	**168 148**	**329 546**
Other operating revenue	6 807	8 950	1 670	3 369
Selling costs	(150 920)	(300 350)	(140 478)	(278 279)
Administrative expenses	(15 932)	(31 142)	(14 828)	(28 360)
Other operating expenses	(3 379)	(5 374)	(1 493)	(3 953)
Operating profit	**17 553**	**24 966**	**13 019**	**22 323**
Finance income	597	812	183	533
Finance costs	(939)	(1 249)	(217)	(423)
Profit before tax	**17 211**	**24 529**	**12 985**	**22 433**
Income tax	(1 428)	(2 326)	(2 209)	(4 066)
Current	(898)	(3 071)	(1 045)	(3 325)
Deferred	(530)	745	(1 164)	(741)
Profit for the period	**15 783**	**22 203**	**10 776**	**18 367**
Profit for the period attributable to owners of the parent	15 783	22 203	10 776	18 367

	6 months ended 30 Jun 2017 Unaudited	6 months ended 30 Jun 2016 Unaudited
Profit for the period, annualised (in PLN 000s)	**54 387**	**37 651**
Number of shares	12 342 027	12 340 049
Weighted average number of ordinary shares	11 940 998	12 138 215
Weighted average diluted number of ordinary shares	11 940 998	12 139 331
Profit per ordinary share (in PLN)	4.41	3.05
Profit per ordinary share (in PLN)*	4.55	3.10
Diluted profit (loss) per ordinary share (in PLN)**	4.55	3.10

* calculated using the weighted average number of the Issuer's shares
** Weighted average diluted number of ordinary shares:
- for H1 2017: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled
- for H1 2016: 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.

Statement of comprehensive income	3 months ended 30 Jun 2017 Unaudited	6 months ended 30 Jun 2017 Unaudited	3 months ended 30 Jun 2016 Unaudited	6 months ended 30 Jun 2016 Unaudited
Profit for the period	**15 783**	**22 203**	**10 776**	**18 367**
Other comprehensive income (not subject to reclassification to results):	-	-	-	-
- Revaluation of employee benefit liabilities	-	-	-	-
- Income tax on components of other comprehensive income	-	-	-	-
Comprehensive income for the period	**15 783**	**22 203**	**10 776**	**18 367**
Comprehensive income attributable to shareholders of the parent	-	22 203	-	18 367

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Dariusz Kalinowski — President of the Management Board

....
Signature

Cezary Baran — Vice-President of the Management Board, Finance Director

....
Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska — Economic Director

....
Signature

(amounts in PLN 000s, unless otherwise stated)

4. 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 2017	**12 342**	**419 964**	**99 905**	**-**	**72 766**	**(23 320)**	**44 611**	**626 268**
Comprehensive income for the six months ended 30 June 2017	-	-	-	-	-	-	22 203	22 203
2016 profit distribution - transfer to equity	-	-	-	-	18 005	-	(18 005)	-
Purchase of own shares	-	-	-	-	-	(4 220)	-	(4 220)
Reclassification of capital after settlement of all incentive schemes	-	-	-	-	-	-	-	-
30 Jun 2017	**12 342**	**419 964**	**99 905**	**-**	**90 771**	**(27 540)**	**48 809**	**644 251**

	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**
Comprehensive income for the six months ended 30 June 2016	-	-	-	-	-	-	18 367	18 367
2015 profit distribution - transfer to equity	-	-	-	-	25 442	-	(25 442)	-
Share issuance - incentive scheme	5	203	-	(208)	-	-	-	-
Purchase of own shares	-	-	-	-	-	(12 499)	-	(12 499)
Cancellation of own shares	(900)	(51 743)	-	-	(337)	52 980	-	-
Reclassification of capital after settlement of all incentive schemes	-	-	-	-	-	-	-	-
30 Jun 2016	**12 340**	**419 884**	**97 558**	**2 381**	**72 766**	**(17 006)**	**12 851**	**600 774**

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Signatures of persons responsible for book-keeping

Elżbieta Świniarska	Economic Director	.... Signature

(amounts in PLN 000s, unless otherwise stated)

5. Consolidated statement of cash flows

Operating activities	6 months ended 30 Jun 2017 Unaudited	6 months ended 30 Jun 2016 Unaudited
Profit (loss) for the period	**22 203**	**18 367**
Adjusted by:	**(9 542)**	**(15 300)**
Depreciation / amortisation	25 085	24 167
(Profit) loss on exchange differences	91	111
Interest and shares of profit (dividends)	1 266	(72)
Income tax	2 326	4 066
Profit (loss) on investing activities	(340)	(81)
Change in provisions	(2 027)	(1 100)
Change in inventories	(14 728)	(19 535)
Change in receivables	(2 410)	18 852
Change in prepayments	(6 106)	(7 626)
Change in current liabilities	(10 040)	(32 211)
Other adjustments	-	-
Income tax paid	(2 659)	(1 871)
Net cash from operating activities	**12 661**	**3 067**

Investing activities	6 months ended 30 Jun 2017 Unaudited	6 months ended 30 Jun 2016 Unaudited
Inflows	**16 127**	**24 678**
Disposal of property, plant and equipment and intangible assets	15 024	3 766
Disposal of financial assets	-	19 317
Dividends received	-	-
Interest received	40	67
Repayment of loans issued	1 063	1 528
Cash of entities acquired, at acquisition date	-	-
Proceeds from investment properties	-	-
Outflows	**(21 564)**	**(44 945)**
Purchase of property, plant and equipment and intangible assets	(21 434)	(36 621)
Purchase of investment properties	-	-
Purchase of financial assets	-	(7 994)
Borrowings granted	(130)	(330)
Cash of subsidiaries at disposal date	-	-
Expenditures on maintenance of investment properties	-	-
Net cash from investing activities	**(5 437)**	**(20 267)**

(amounts in PLN 000s, unless otherwise stated)

Financing activities	**6 months ended 30 Jun 2017 Unaudited**	**6 months ended 30 Jun 2016 Unaudited**
Inflows	**20 000**	**10 000**
Proceeds from credit facilities and loans	20 000	10 000
Issue of short-term debt instruments	-	-
Proceeds from equity issuance	-	-
Other inflows	-	-
Outflows	**(26 307)**	**(13 234)**
Repayment of borrowings	(20 000)	-
Buy-back of short-term debt instruments	-	-
Payment of finance lease liabilities	(536)	(490)
Interest and fees paid	(1 551)	(245)
Dividends paid	-	-
Purchase of own shares	(4 220)	(12 499)
Other outflows	-	-
Net cash from financing activities	**(6 307)**	**(3 234)**

Change in cash and cash equivalents	**6 months ended 30 Jun 2017 Unaudited**	**6 months ended 30 Jun 2016 Unaudited**
Change in cash and cash equivalents	917	(20 436)
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	**146 432**	**103 795**
Cash and cash equivalents at the end of period	**147 349**	**83 359**

Warsaw,

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....
Signature

Cezary Baran — Vice-President of the Management Board, Finance Director

....
Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska — Economic Director

....
Signature

6. Description of key accounting principles

6.1 Statement on compliance and basis for preparing the financial statements

These unaudited condensed consolidated interim financial statements of Emperia Holding S.A. ("Consolidated Interim Financial Statements") are prepared in accordance with International Financial Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and accounting standards relevant to interim financial reporting, as adopted by the European Union, published and in effect at the time the Consolidated Interim Financial Statements were prepared.

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.

6.2 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.

6.3 Discontinued operations

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

6.4 Application of standards and interpretations effective from 1 January 2017

The interim consolidated financial statements and interim separate financial statements for the first half of 2017 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 2017, 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.

6.5 Key accounting principles

The accounting policy applied in preparing these consolidated financial statements for the first half of 2017 was the same as that used by the Group in preparing the consolidated financial statements for 2016.

A detailed description of the accounting policy is presented in the consolidated financial statements for 2016 (Notes from 6.2.9 to 6.2.30).

6.6 Segment reporting

Segment reporting identifies operating segments, which are a component of Emperia 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 S.A. 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, the Company'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. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.

2. Property (property segment), covering Emperia Group's property-asset structure, which includes Elpro Development S.A. and Emperia Holding S.A.'s carved out property segment. The property segment generates revenue from property leasing.

3. IT (IT segment), covering the operations of Infinite Sp. z o.o. - an IT services provider.

4. Central Management (central management segment), covering management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o.;

(amounts in PLN 000s, unless otherwise stated)

Operating segments are presented in a manner that is consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker for Emperia Group's operating segments is the Management Board of Emperia Holding S.A., which assesses results and makes decisions with regard to resource allocation.

Results for all segments are measured using the following: gross profit on sales, EBITDA, operating result, gross result, net result and revenue.

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 are presented in the "exclusions" column in the segment results information below.

Segment information for H1 2017:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 211 842	34 493	464	16 971	31 701	1 232 069
External revenue	1 211 826	10 621	6	9 616	-	1 232 069
Inter-segment revenue	16	23 872	458	7 355	31 701	-
Total segment costs	(1 203 566)	(20 496)	(2 580)	(16 674)	(32 637)	(1 210 679)
Profit on sales	8 276	13 997	(2 116)	297	(936)	21 390
Result on other operating activities	3 461	214	120	(73)	146	3 576
Result on financing activities	(1 119)	1 146	6 131	(211)	6 384	(437)
Gross result	10 618	15 357	4 135	13	5 594	24 529
Tax	1 009	(3 670)	412	(37)	40	(2 326)
Net segment result	**11 627**	**11 687**	**4 547**	**(24)**	**5 634**	**22 203**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	581 450	1 180 674	474 771	15 293	1 178 281	1 073 907
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(19 343)	(2 581)	-	(321)	(811)	(21 434)
Depreciation / amortisation	(19 269)	(5 774)	(185)	(704)	(846)	(25 085)

Group external revenue by geographic area

The Group generates its revenue from sales within Poland (location of end customers). Revenue from foreign clients accounted for 0.3% of total revenue for H1 2017 and 0.3% of total revenue for H1 2016.

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.

(amounts in PLN 000s, unless otherwise stated)

Segment information for H1 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 148 442	34 985	533	19 860	31 321	1 172 499
External revenue	1 148 436	11 164	3	12 896	-	1 172 499
Inter-segment revenue	6	23 821	530	6 964	31 321	-
Total segment costs	(1 143 781)	(20 179)	(2 360)	(15 548)	(32 277)	(1 149 591)
Profit on sales	4 661	14 806	(1 827)	4 312	(956)	22 908
Result on other operating activities	(351)	(446)	99	4	(110)	(584)
Result on financing activities	(788)	595	6 845	167	6 709	110
Gross result	3 522	14 955	5 117	4 483	5 643	22 434
Tax	(1 042)	(2 372)	325	(886)	92	(4 067)
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)

6.7 Mergers, share purchases or disposals, capital increases

a) Merger of Emperia Group companies

On 28 February 2017, the Extraordinary General Meeting of Elpro Development S.A. adopted a resolution on the merger of the Company and the following Acquired Companies: Elpro Ekon Sp. z o.o. S.K.A., P3 Ekon Sp. z o.o. S.K.A., P5 Ekon Sp. z o.o. S.K.A. and Ekon Sp. z o.o. Due to the fact that the Company and the Acquired Companies belong to the same group and that the consolidation of these companies will have positive impact on their financial situation and will improve management efficiency whilst reducing management expenses, the Extraordinary General Meeting decided to merge the Company with the Acquired Companies pursuant to art. 492 par. 1 point 1 of the Polish Commercial Companies Code, i.e. by transfer of all assets of the Acquired Companies to the Company - merger by acquisition.

Mergers of jointly controlled entities are recognised at book value. The merging entities were also covered by joint controlled prior to the transactions and their mergers do not give rise to changes in their net assets or goodwill. This method based on historic values combines the relevant items of assets, liabilities, revenue and costs of the merging companies and makes appropriate exclusions. Subject to exclusion is the value of the stakes held by the Company in the Acquired Companies, the assets of which were transferred to the Company, as well as equity of the Merged Companies. Also subject to exclusion are mutual receivables and payables as well as other similar settlements.

Under art. 493 of the Polish Commercial Companies Code, the merger occurred on the date the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, issued a decision of 3 April 2017 on registration of the companies' merger.

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.

7. Other significant information and events

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

These financial statements are prepared in accordance with the Group's accounting principles, applied consistently since 1 January 2005, as described in detail in the 2016 consolidated annual financial statements.

7.2 Restatement of comparative data

The Group restated its comparative data in these financial statements as a result of presentation changes. The changes were intended to ensure a greater degree of transparency and consistency of the financial statements and to better reflect financial information from the reader's point of view.

The Group introduced changes in the presentation of specific items of revenue, costs, assets and liabilities, which did not have an impact on the previously presented amounts of total comprehensive income (including earnings per share). These changes did not necessitate restatement of the consolidated statement of cash flows.

Summary of changes introduced to comparative data:

a) Change in the presentation of the Group's revenue from the sale of marketing services, calculated based on a percentage of the value of goods sold that constitute rebates received from suppliers - previously the value of this revenue, amounting to PLN 40 212 000, was presented as revenue from the sale of services. Following the change, in order to reliably reflect the economic content of transactions, the value of this revenue decreases the cost of goods sold.

b) Change in the presentation of marketing costs - previously a part of marketing costs related to advertising for the entire store chain was presented by the Group as administrative expenses. Following the change, these costs, amounting to PLN 10 749 000, are presented in selling costs.

c) Change in the presentation of reimbursements from the State Fund for the Rehabilitation of the Disabled (PFRON) of costs for the disabled - previously these were presented as other operating revenue. After the change, PLN 1 174 000 in reimbursements was presented as adjustment of selling costs.

(amounts in PLN 000s, unless otherwise stated)

Restatement of the statement of comprehensive income for H1 2016

		6 months ended 30 Jun 2016 (reported)	Presentation change	6 months ended 30 Jun 2016 (restated)
Revenue from sales	a)	1 212 711	(40 212)	1 172 499
Value of goods and materials sold	a)	(868 590)	40 212	(828 377)
Other operating revenue	c)	4 543	(1 174)	3 369
Selling costs	b, c)	(268 704)	(9 575)	(278 279)
Administrative expenses	b)	(39 109)	10 749	(28 360)

7.3 Production seasonality and cyclicality

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

7.4 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 one-off net results generated on property disposal transactions:

	Q2 2017	Q2 2016	H1 2017	H1 2016
Proceeds from disposal of properties	-	330	-	330
Costs of disposal of properties	-	(282)	-	(282)
Reversal of consolidation adjustments	-	153	-	153
Gross profit	-	201	-	201
Current tax	-	(9)	-	(9)
Deferred tax	-	(29)	-	(29)
Net result	**-**	**163**	**-**	**163**

Other one-off events are described in the semi-annual management report on activities, under point 9.1

(amounts in PLN 000s, unless otherwise stated)

7.5 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 2017	Change in 2016
Non-current		
As at the beginning of period	**1 454**	**994**
Increases / decreases during the period	-	460
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**1 454**	**1 454**
Current		
As at the beginning of period	**10 550**	**9 412**
Increases / decreases during the period	416	1 138
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**10 966**	**10 550**

Other provisions	Change in H1 2017	Change in 2016
Non-current		
As at the beginning of period	**9 020**	**13 606**
Increases / decreases during the period	(2 098)	(4 586)
Increases / decreases during the period as a result of acquisitions	-	-
As at the end of period	**6 922**	**9 020**
Current		
As at the beginning of period	**8 184**	**9 214**
Increases / decreases during the period	(344)	(1 030)
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**7 840**	**8 184**

7.6 Issue, redemption and repayment of debt and equity securities

No such changes took place at Emperia Group in H1 2017.

7.7 Paid out and proposed dividends

Dividends paid:

In H1 2017, Emperia Holding S.A. did not pay out a dividend as part of allocating its 2016 profit.
On 28 June 2017, the General Meeting of Emperia Holding S.A. adopted a resolution on use of Emperia Holding S.A.'s 2016 profit to cover prior-period losses and as reserve capital.

Dividends received:

In H1 2017, Emperia Holding S.A. received PLN 6 384 000 in dividend from subsidiary Infinite Sp. z o.o.
The dividend was paid within the Group's consolidated companies, thus is subject to exclusion from these financial statements.

7.8 Revenue and profit by operating segment

Revenue and profit by operating segment are presented in point 6.6.

7.9 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.

Off-balance-sheet liabilities at Emperia Holding S.A., Elpro Development S.A. and Stokrotka Sp. z o.o., arising under the Credit Agreement of 27 April 2017, as amended, and under related collateral agreements, are as follows:

Emperia Holding S.A.
- mortgage on properties - total amount PLN 634.7 million

Elpro Development S.A.
- mortgage on properties - total amount PLN 571.7 million
- register pledge on assets - amount PLN 3.7 million

Stokrotka Sp. z o.o.
- mortgage on properties - total amount PLN 204.2 million
- register pledge on assets - amount of no less than PLN 97.5 million

Pursuant to the Credit Agreement of 27 April 2017, as amended, a bank consortium is providing financing for a potential tax liability in the form of a credit facility of up to PLN 150 million for Elpro Development S.A. and PLN 10 million for Stokrotka sp. z o.o. or in the form of a guarantee for the repayment of this liability of up to PLN 202 million for Emperia Holding S.A. The Agreement also includes the option to obtain working capital and guarantee lines for Stokrotka sp. z o.o. Pursuant to this agreement, term credit facilities and guarantee securing repayment of the tax liability may not be held simultaneously, these are independent products that due to their complexity had to be secured separately. Given the above, the amounts of mortgage for each company include the following secured products:

(amounts in PLN 000s, unless otherwise stated)

Emperia Holding S.A. has established collateral on its properties for:
a) guarantee for repayment of tax liability - PLN 303 million
b) Elpro Development S.A.'s term loan - PLN 225 million
c) Stokrotka sp. z o.o.'s term loan - PLN 15 million
d) hedging contracts at Stokrotka sp. z o.o. and Elpro Development S.A. - PLN 91.7 million
TOTAL = PLN 634.7 million

Elpro Development S.A. has established collateral on its properties for:
b) term loan - PLN 225 million
b) Stokrotka sp. z o.o.'s term loan - PLN 15 million
c) accession of Emperia Holding S.A. into debt - PLN 240 million
d) hedging contracts at Stokrotka sp. z o.o. and Elpro Development S.A. - PLN 91.7 million
TOTAL = PLN 571.7 million

Stokrotka sp. z o.o. has established collateral on its properties for:
a) working capital loan - PLN 60 million
b) guarantee line - PLN 37.5 million
c) accession of Emperia Holding S.A. into debt - PLN 15 million
d) hedging contracts at Stokrotka sp. z o.o. and Elpro Development S.A. - PLN 91.7 million
TOTAL = PLN 204.2 million

Other off-balance-sheet collateral (as at 30 June 2017):

Changes in off-balance sheet liabilities during H1 2017	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	30 000	-	-
Increases during the period	-	-	-
Decreases during the period	(30 000)	-	-
As at the end of period	**-**	**-**	**-**
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**15 000**	**-**
Guarantees			
As at the beginning of period	-	25 000	9 325
Increases during the period	-	-	-
Decreases during the period	-	-	(6 350)
As at the end of period	**-**	**25 000**	**2 975**

(amounts in PLN 000s, unless otherwise stated)

Changes in off-balance sheet liabilities during 2016	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	-	-	-
Increases during the period	30 000	-	-
Decreases during the period	-	-	-
As at the end of period	**30 000**	**-**	**-**
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**15 000**	**-**
Guarantees			
As at the beginning of period	-	47 500	9 646
Increases during the period	-	-	6 850
Decreases during the period	-	(22 500)	(7 171)
As at the end of period	**-**	**25 000**	**9 325**

7.10 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.

	Change in H1 2017	Change in 2016
Impairment of property, plant and equipment		
As at the beginning of period	**(7 859)**	**(7 886)**
Recognition	(113)	(274)
Reversal	752	301
Changes as a result of acquisitions / disposals	-	-
As at the end of period	**7 220**	**7 859**

(amounts in PLN 000s, unless otherwise stated)

Impairment of receivables

As at the beginning of period	**(9 065)**	**(10 742)**
Recognition	(405)	(1 552)
Reversal	1 666	1 458
Changes as a result of acquisitions / disposals	-	-
*Derecognised from statement of profit and loss**	379	1 771
As at the end of period	**(7 425)**	**(9 065)**

Impairment of inventories

As at the beginning of period	**(19 015)**	**(19 784)**
Recognition	(14 838)	(18 935)
Reversal	2 222	19 704
Change as result of acquisitions / disposals	-	-
As at the end of period	**(31 631)**	**(19 015)**

7.11 Reversal of cost restructuring provisions

Did not occur during H1 2017.

7.12 Deferred income tax

Deferred income tax assets	**Change in H1 2017**	**Change in 2016**
As at the beginning of period	**18 053**	**22 009**
Increase	2 898	2 552
Decrease	(594)	(6 508)
As at the end of period	**20 357**	**18 053**

Deferred income tax provision	**Change in H1 2017**	**Change in 2016**
As at the beginning of period	**5 488**	**4 497**
Recognition	1 672	2 662
Reversal	(114)	(1 671)
As at the end of period	**7 046**	**5 488**

(amounts in PLN 000s, unless otherwise stated)

7.13 Financial and operating leasing

a) Finance lease liabilities

Finance lease liabilities	30 Jun 2017 Minimum payments	Present value of minimum payments
Within 1 year	1 203	1 147
Within 1 to 5 years	-	-
Within more than 5 years	-	-
Total	**1 203**	**1 147**

Finance lease liabilities	31 Dec 2016 Minimum payments	Present value of minimum payments
Within 1 year	1 203	1 097
Within 1 to 5 years	603	586
Within more than 5 years	-	-
Total	**1 806**	**1 683**

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

H1 2017	Term of agreement	As at 30 Jun 2017	As at 30 Jun 2018	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	50 482	102 786	411 056	512 214
	unspecified	1 128	2 513	10 050	12 563
Technical equipment and machinery	specified	55	1	1	-
	unspecified	88	177	707	883
Means of transport	specified	4 059	8 248	-	-
	unspecified	-	-	-	-

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

2016	Term of agreement	As at 31 Dec 2016	As at 31 Dec 2017	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	96 213	102 790	411 160	512 454
	unspecified	2 981	3 190	12 762	15 952
Technical equipment and machinery	specified	189	56	1	-
	unspecified	141	179	715	893
Means of transport	specified	7 963	8 248	3 834	-
	unspecified	-	-	-	-

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

7.14 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 2017.

7.15 Correction of prior-period errors

Did not occur during H1 2017.

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

Did not occur during H1 2017.

7.17 Other significant events

a) Change of statutory auditor for 2016 and appointment of statutory auditor for 2017

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that in connection with an on-going process of reviewing strategic options to support further development of Emperia Group's business, the Supervisory Board had adopted a resolution on the change of statutory auditor for the Company for 2016 and the appointment of a statutory auditor for 2017.
In connection with the above, the Supervisory Board on 19 January 2017 adopted a resolution appointing PricewaterhouseCoopers Sp. z o.o., based in Warsaw, Al. Armii Ludowej 14, to audit the separate and consolidated financial statements of Emperia Holding S.A. for 2016 as well as review and audit the Company's separate and consolidated financial statements for 2017. PricewaterhouseCoopers Sp. z o.o. is an entity authorised to audit financial statements, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 144. The Company did not previously use the services of this statutory auditor as regards audit and review of financial statements.
The Supervisory Board also approved amicable termination of an agreement of 8 June 2016 concerning review and audit of the Company's separate and consolidated financial statements for 2016 with UHY ECA Audyt Sp. z o.o. Sp.k., based in Kraków, ul. Moniuszki 50, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 3115.

b) Receipt of decision under inspection proceedings led by head of Tax Control Office in Lublin

Other one-off events are described in the semi-annual management report on the Group's activities, under point 6

c) Completion of buy-back programme at Emperia Holding S.A. 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 2017 purchased, in block transactions, 60 246 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 428 237 shares in the Issuer, entitling to 428 237 (3.470%) votes at the Issuer's general meeting and constituting 3.470% of the Issuer's share capital. The shares bought back are to be cancelled by Emperia Holding S.A.

(amounts in PLN 000s, unless otherwise stated)

On 30 June 2017, Elpro Development S.A. completed the buy-back programme at Emperia Holding S.A. by Elpro Development S.A., after lapse of the deadline specified in resolutions by the Issuer's Supervisory Board.

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

An Extraordinary General Meeting of Emperia Holding S.A. was held on 20 April 2017. The subject of the EGM was a resolution on amendment of the Company's articles of association concerning an authorisation for the Management Board for a share capital increase under target capital, with the option to exclude the existing shareholders' pre-emptive rights, with the Supervisory Board's consent.

e) Credit and guarantee agreement and annex

On 27 April 2017, a Credit Agreement was signed with mBank S.A. Bank PKO S.A., PKO Bank Polski S.A. and BGŻ BNP Paribas S.A., concerning credit facilities for the Issuer's subsidiaries: Elpro Development S.A. and Stokrotka Sp. z o.o.

Item	Term loan (1)	Term loan (2)	Working-capital loan	Guarantee line
Borrower	Elpro Development S.A.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.
Objective of credit/guarantee	to make a loan to Emperia Holding S.A. to finance a tax liability	to make a loan to Emperia Holding S.A. to finance a tax liability	to finance the Borrower's general corporate objectives	to secure repayment of liabilities under lease or commercial agreements
Amount of credit/guarantee	PLN 150 million	PLN 10 million	PLN 40 million	PLN 25 million
Price terms	WIBOR 3M + bank margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 3M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 1M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	Commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee
Repayment deadline	27 October 2022	27 October 2022	27 April 2019	27 April 2019
Basic collateral	• pledge on Elpro Development S.A. shares • pledge on bank accounts of Emperia Holding S.A., Elpro Development S.A. and Stokrotka Sp. z o.o. • pledge on Elpro Development S.A. properties and rights • assignment of rights and receivables under lease and collateral contracts of Emperia Holding S.A. and Elpro Development S.A. • assignment of rights and receivables under Stokrotka Sp. z o.o.'s contracts with payment card operators • mortgage on properties of Emperia Holding S.A. and Elpro Development • Emperia Holding S.A.'s accession into the debt of Elpro Development S.A. and Stokrotka Sp. z o.o. • Elpro Development S.A.'s accession into the debt of Stokrotka Sp. z o.o.		• mortgage on Stokrotka Sp. z o.o.'s properties • pledge on Stokrotka Sp. z o.o.'s inventories • assignment of rights and receivables under Stokrotka Sp. z o.o.'s insurance contracts • pledge on bank accounts of Stokrotka Sp. z o.o.	

Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017.

In connection with Emperia's intention to provide collateral for a tax liability to the relevant tax authority, as referred to in art. 33d § 2 point 1) of the act of 29 August 1997 - Tax Ordinance, in order to suspend performance of this tax authority's final decision concerning a tax liability in connection with an appeal lodged with the administrative court (if the appeals authority upholds the tax authority's decision), the Banks agreed to extend a guarantee line for the Company on terms specified in Annex 1 to the Credit Agreement.
Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017 between the following companies: ELPRO Development S.A., Stokrotka sp. z o.o., Emperia Holding S.A. and banks: mBank S.A., Bank Polska Kasa Opieki S.A., PKO Bank Polski S.A. and Bank BGŻ BNP Paribas S.A., pursuant to which the above lenders will extend a guarantee line to Emperia Holding S.A. under which bank guarantees for a total amount of PLN 202 million will be issued at Emperia Holding S.A.'s request for the benefit of the State Treasury, represented by the Head of the 2nd Mazowieckie Tax Office in Warsaw, as collateral for Emperia Holding S.A.'s tax liability concerning corporate income tax for 2011, and Stokrotka Sp. z o.o. will accede to the debt related to these guarantees for a maximum amount of PLN 15 million, jointly and severally with Elpro Development S.A., which will accede to the debt related to these guarantees for a maximum amount of PLN 240 million.
The Company's maximum own contribution to the guarantee lines will be PLN 54 million.
The maximum term of validity for these guarantees will be 12 months from the date of issue. Fees for the guarantees will be in the form of an origination commission.
Annex 1 to the Credit Agreement was executed on market terms. The other provisions, including provisions related to penalties, do not differ from provisions commonly applied in this type of agreement.

f) Launch of process to bring in an investor to support further dynamic growth of Emperia Holding S.A.

In reference to information regarding the start of a strategic options review, the Management Board of Emperia Holding S.A. on 9 May 2017, having obtained permission from the Company's Supervisory Board, decided to launch a process intended to bring in an investor to support the Company's further dynamic development. The Management Board plans to hold talks with a variety of entities potentially interested in such an investment as well as to allow selected entities to conduct due diligence at the Company and its subsidiaries.
Having analysed possible growth scenarios and perspectives for the Company, the Management Board is certain that this decision is in the interest of both the Company and its shareholders and will considerably contribute to building the Company's value.
The aim of the Management Board is to ensure that all of the Company's shareholders have the option to sell their shares in a tender offer announced by the investor on equal terms.
The Issuer has engaged Rothschild Global Advisory as its exclusive financial adviser in the Company's search for an investor.

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

On 28 June 2017, an Ordinary General Meeting of Emperia Holding S.A. was held. 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.

7.18 Significant events after the end of the reporting period

a) Decision by Head of Tax Control Office in Lublin upheld by Head of the Tax Authority Chamber

The Company received information from the tax firm representing it in the case about the receipt on 21 August 2017 of a decision by the Head of the Tax Authority Chamber in Warsaw, dated 8 August 2017, upholding the decision of the Head of the Tax Control Office in Lublin of 31 January 2017, as described in detail in point 6 of the semi-annual management report on activities.

Given the above, on 21 August 2017, the Company took the following steps:

1. submitted a complaint to the Voivodeship Administrative Court in Warsaw, with the intermediation of the Head of the Tax Authority Chamber in Warsaw,
2. lodged a motion with the Head of the 2nd Mazowieckie Tax Office in Warsaw for suspension of decision issued by the Head of the Tax Control Office together with a motion to accept collateral for the tax liability concerning corporate income tax for 2011 together with late interest, in the form of a bank guarantee,
3. provided four bank guarantee documents to the Head of the 2nd Mazowieckie Tax Office in Warsaw, issued by the following banks: PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A. and Bank Pekao S.A., for a total amount of PLN 198 million.

Warsaw,

Signatures of all Management Board members:

Dariusz Kalinowski — President of the Management Board

....
Signature

Cezary Baran — Vice-President of the Management Board, Finance Director

....
Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska — Economic Director

....
Signature

Semi-annual report on Emperia Group's operations for H1 2017

Emperia Group means:

- credibility and prioritising shareholder interests

- customer-centric culture

- growth and openness

- working together

- effectiveness

- reliability and engagement

Credibility 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 15 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!

1. Description of Group structure

Name, registered office and economic activities of Group and parent entity

Emperia Group ("Group") focuses on four operating segments, with the main one being the retail segment, made up by the Stokrotka Sp. z o.o. store chain.
The IT segment covers the activities of Infinite Sp. z o.o., which develops IT solutions for industries such as FMCG, automotive, heavy industry, logistics, SHE and DIY.
The property segment manages Emperia Group's property assets. The segment invests in facilities intended for retail operations - mini-galleries and shopping parks up to 2 000 sqm. The central management segment covers management functions, holding services and advisory within the Group.

The Parent, which uses the trading name Emperia Holding S.A., is registered under KRS no. 0000034566 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Parent's registered office is located in Warsaw, ul. Puławska 2, building B, postal code 02-566.

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 2017 to 30 June 2017, and the comparative financial data covers the period from 1 January 2016 to 30 June 2016.

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.

Emperia Group's consolidated financial statements are available in the Investor Relations section at the website www.emperia.pl.

Information on consolidation

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

As at 30 June 2017, consolidation included Emperia Holding S.A. and the following subsidiaries: Stokrotka Spółka z o.o., Infinite Sp. z o.o., Elpro Development S.A., Eldorado Spółka z o.o. In H1 2017, Emperia Group's structure was subject to changes (comparing to the end of 2016) as a result of the merger of Elpro Development S.A. with other property companies (described in detail in point 6.7 a).

(amounts in PLN 000s, unless otherwise stated)

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
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%
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%
Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	KRS no. 509157, District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
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%

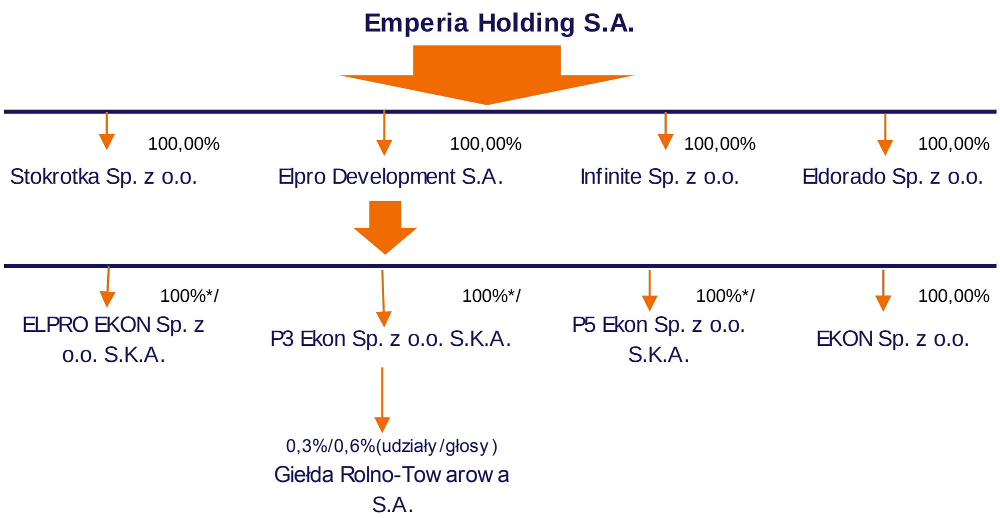
Entity name	Registered office	Share capital	Emperia's share in capital (% as at the end of the reporting period)	Emperia's share of voting rights (% as at the end of the reporting period)
"Podlaskie Centrum Rolno-Towarowe" S.A. (1)	Białystok ul. Gen. Wł. Andersa 40	11 115	0.30%	0.60%

(1) indirectly through Elpro Development S.A.

2. Effects of changes in group structure

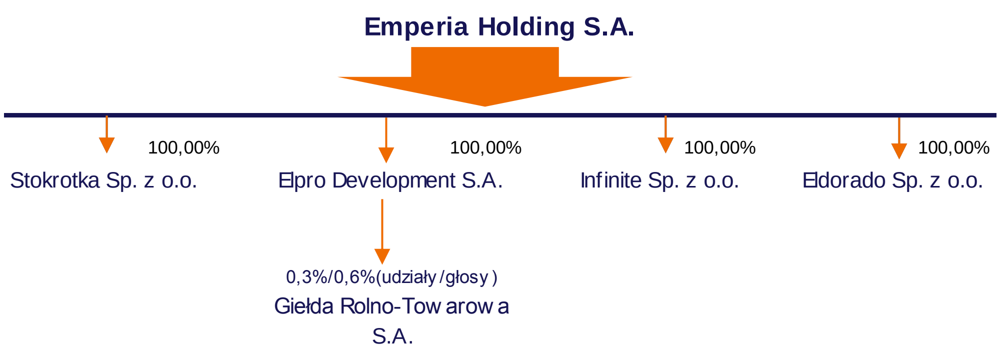
Changes in Group structure in Q2 2017 are described in detail in point 6.7a) of the Consolidated Financial Statements

Emperia Group's structure prior to property company merger



*/ - one share (recognised in supplementary capital) held by general partner - EKON Sp. z o.o.

Emperia Group's structure after property company merger on 3 April 2017



(amounts in PLN 000s, unless otherwise stated)

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

Shareholders	Shares held, as at 30 June 2017	% 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 30 Jun 2017	% of votes at general meeting at 30 Jun 2017
Ipopema TFI	1 458 583	11.82%	0.31%	1 454 003	11.78%	1.458.583	12.24%
Altus TFI	1 644 493	13.32%	16.66%	1 409 678	11.42%	1.644.493	13.80%
AXA OFE	977 481	7.92%	(2.16%)	999 036	8.09%	977.481	8.21 %
Aviva OFE	834 991	6.77%	5.16%	794 000	6.43%	834.991	7.01%
NN OFE	755 713	6.12%	(24.43%)	1 000 000	8.10%	755.713	6.34%
MetLife OFE	632 417	5.12%	-	632 417	5.12%	632 417	5.31%

As at 30 June 2017, Elpro Development S.A. held 428 237 shares of Emperia Holding S.A., which are excluded from the count of percentage stakes in total voting rights at the Issuer's General Meeting.

4. Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares held, as at 30 June 2017	% 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	0.211%	-	26 094	0.211%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 30 June 2017	% 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%

5. Management's position regarding previously published forecasts

The Management Board of Emperia Holding S.A. did not publish forecasts for 2017.

6. Information regarding on-going judicial proceedings

Tax probe by Treasury Control Office

On 31 January 2017, Emperia Holding S.A. received from a law firm representing it in the case a decision by the Head of the Tax Control Office in Lublin issued in an inspection proceeding concerning the accuracy of declared tax basis and the correctness of CIT calculations and payments for 2011.
In the Decision, the Head of the Tax Control Office in Warsaw established the Company's tax liability regarding corporate income tax for 2011 at PLN 142 463 805. Under art. 53 and 55 of the Tax Ordinance, the Company is also obligated to calculate and pay late interest on the liability.

Factual status:

- As a result of an arrangement of 21 December 2011, P1 sp. z o.o. (subsidiary of Emperia Holding S.A.) sold its distribution segment to Eurocash S.A. for approx. PLN 1.1 billion. After the above transaction, P1 on the one hand ceased to perform its holding-company functions (in relation to the distribution companies segment) while on the other hand it held substantial cash, which had to be immediately and rationally used by Emperia Group.
- On 29 December 2011, an Extraordinary General Meeting of P1 (i.e. the sole shareholder - Emperia Holding S.A.), in line with the company's founding agreement, carried out a mandatory cancellation of 13 200 000 shares of P1 in exchange for a consideration of PLN 1.090 billion. The reduction in P1's share capital was registered through a decision of the District Court in Lublin Wschód, 6th Commercial Division of the National Court Register, on 27 April 2012.
- According to the Act on Corporate Income Tax, the consideration received by Emperia Holding S.A. from the mandatory share cancellation is exempt from tax.

Charges made by the Tax Control Office:

- According to the Head of the Tax Control Office in Lublin, the mandatory cancellation of shares in subsidiary P1 was illusive and the legal activity performed on 29 December 2011 was actually a voluntary share cancellation. This is supposed to be proven by, among other things, the fact that P1 was controlled, in capital and personal terms, by Emperia Holding, and by the fact that reasons for the mandatory cancellation were introduced in P1's founding agreement only when the distribution segment was transferred to it. The Tax Control Office considered that Emperia Holding de facto had agreed to the share cancellation, making it easier to quality this activity as a voluntary cancellation;
- The Tax Control Office considered that "the parties' intent was to form relations between Emperia Holding S.A. and P1 in a way that, while maintaining legal compliance, they would aim to reach an objective that would be against tax law." The Tax Control Office made a reference to the tax equality and universality rules and to the autonomy of tax law;
- In consequence, according to the Tax Control Office, the consideration for the alleged transaction consisting of a voluntary cancellation of P1 shares, constituted tax income for Emperia Holding in 2011 (tax arrears of approx. PLN 142.5 million).

Company's position:

- The decision by the Tax Control Office is in clear violation of tax law but also civil and corporate law. The Tax Control Office incorrectly equates the illusiveness of legal activities with formulating the transaction in a manner that does not bring the expected tax proceedings;
- The Extraordinary General Meeting resolution on the mandatory share cancellation may not be considered to be illusive because illusiveness does not apply to one-sided legal activities that are not addressed to anyone in particular;

- There is no legal basis whatsoever for concluding that this matter involves a voluntary cancellation of P1's shares. This form of cancellation requires a share purchase agreement to be executed between the shareholder and the company in order for the company to cancel the shares. No such agreement was executed - which precludes concluding that this was a voluntary cancellation of P1's shares;
- The mandatory cancellation was carried out in compliance with the law and the company's founding agreement, which is confirmed by the register court's decision. Therefore, the Tax Control Office's decision is in contravention to a binding court ruling;
- Despite the fact that the dispute de facto revolves around there being a legal relation (the acquisition by P1 of its own shares for cancellation), the Tax Control Office refused to file a suit in a general court to determine that such an activity had been performed - citing a "lack of objective doubt." The above proves that the Tax Control Office does not have evidence allowing this to be determined by an independent court and, in violation of tax proceeding rules, is making standalone rulings in the area of private law.
- In reference to the principle of equity, the Tax Control Office seems to be assuming that in the circumstances of the matter the sole economically justified transaction was a voluntary share cancellation. The business objective of the share cancellation was the transfer of financial resources from P1 to the Group. According to the law, the above objective could have alternatively been achieved through other legal activities that are exempt from tax based on European Union law. The economic sense of the share cancellation should be compared to generating income from equity (as in the case of company liquidation or dividend payment) rather than income from a transaction (from the sale of property rights).
- The circumstances of the matter and the accusations made by the Tax Control Office had been analysed by renowned representatives of academia, tax law and corporate law, who have considered that the position of the Tax Control Office is completely unjustified and in violation of the law.

The Company does not agree with these findings and the legal assessment carried out by the Head of the Tax Control Office in the Decision, further it does not see grounds for recognising a provision for the amounts of tax arrears indicated in the Decision.

On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.

Aside from the above case, in 2017 the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

7. Significant related-party transactions

In H1 2017, 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 2017 are presented in point 6.7 of the Consolidated Financial Statements.

8. Credit facilities, loans, sureties and guarantees

On 27 April 2017, Emperia Group signed a Credit Agreement. Detailed information on this subject is presented in notes 7.17e) and 7.9 of the Consolidated Financial Statements.

(amounts in PLN 000s, unless otherwise stated)

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

9.1. Financial highlights and operational performance of the Group

According to the Management Board, the Group generated good results for Q2 and H1 2017, in line with expectations.

Item	Q2 2017	Q2 2016	%
Revenue from sales	631 715	585 780	7.84%
Profit on sales	180 976	168 148	7.63%
EBITDA	30 170	25 260	19.44%
Operating profit	17 553	13 019	34.83%
Profit before tax	17 211	12 985	32.55%
Profit for the period	15 783	10 776	46.46%

Revenue from sales in Q2 2017 went up by 7.84% from the same period last year, to PLN 631 715. Second-quarter revenue was driven by growth in the retail segment.
Net profit in Q2 2017 was PLN 15 783 000, up by 46.46% from the previous year.

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

- the retail segment reversed a PLN 1 394 000 provision for compensations in Q2 2017.

Item	H1 2017	H1 2016	%
Revenue from sales	1 232 069	1 172 499	5.08%
Profit on sales	352 882	329 546	7.08%
EBITDA	50 051	46 490	7.66%
Operating profit	24 966	22 323	11.84%
Profit before tax	24 529	22 433	9.34%
Profit for the period	22 203	18 367	20.89%

Revenue in H1 2017 went up by 5.08% from the same period last year, to PLN 1 232 069 000. H1 2017 revenue was driven by growth in the retail segment.
Net profit in H1 2017 was PLN 22 203 000, down 20.89% from the previous year.

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

- the retail segment reversed a PLN 1 394 000 provision for compensations in H1 2017.
- in H1 2017, the retail segment received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 323 000.

(amounts in PLN 000s, unless otherwise stated)

Changes in key balance sheet items

Item	H1 2017	H1 2016	%
Total assets	1 073 907	1 011 097	6.21%
Non-current assets	612 234	631 641	-3.07%
Current assets	461 673	379 456	21.67%
Cash and cash equivalents	147 349	83 359	76.76%
Liabilities and liability provisions	429 656	410 323	4.71%
Total current liabilities	412 646	388 291	6.27%
Net assets	644 251	600 774	7.24%
Share capital (in PLN)	12 342 027	12 340 049	0.02%
Current-period earnings per share, annualised* (in PLN)	4.56	3.10	47.10%

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

Operational performance and ability to meet liabilities

Item	H1 2017	H1 2016
Return on invested capital *(profit for the period / equity at the end of the period) in %*	3.45%	3.06%
Return on assets *(profit for the period / assets at the end of the period) in %*	2.07%	1.82%
Sales margin *(profit from sales for the period / revenue from sales for the period) in %*	28.64%	28.11%
EBITDA margin *(EBITDA / revenue from sales for the period) in %*	4.06%	3.97%
Operating margin *(operating profit for the period / revenue from sales for the period) in %*	2.03%	1.90%
Gross margin *(profit before tax for the period / revenue from sales for the period) in %*	1.99%	1.91%
Net margin *(profit for the period / revenue from sales for the period) in %*	1.80%	1.57%

(amounts in PLN 000s, unless otherwise stated)

Turnover cycles for key components of working capital

Methodology	H1 2017	H1 2016
Inventory turnover days *(inventory / value of goods for resale and materials sold*182)*	49.0	48.0
Receivables turnover days *(current receivables / revenue from sales*182)*	9.9	10.1
Payables turnover days *([current liabilities - current borrowings] / value of goods for resale and materials sold*182)*	86.6	82.9
Asset productivity *(revenue from sales / total assets)*	1.1	1.2
Non-current asset productivity *(revenue from sales / non-current assets)*	2.0	1.9

In H1 2017, inventory turnover ratio increased by 1 day, receivables turnover decreased by 0.2 days, while payables turnover increased by 3.7 days. Changes in specific elements of working capital had positive impact on the cash conversion cycle, which improved by 2.9 days. Asset productivity ratio did not change, while non-current asset productivity ratio went up by 0.15.

Retail segment

The retail segment covers all operations of the following subsidiary: Stokrotka Sp. z o.o. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.).

	Q2 2017	Q2 2016	%
Segment revenue	621 465	573 845	8.30%
Profit on sales	178 125	163 659	8.84%
EBITDA	21 149	13 343	58.50%
Operating result	11 431	4 071	180.79%
Gross profit	10 830	3 613	199.75%
Net segment result	**10 611**	**2 924**	262.89%

(amounts in PLN 000s, unless otherwise stated)

Revenue from sales in Q2 2017 went up by 8.30% from the same period last year, to PLN 621 465 000. Second-quarter revenue was driven by a substantial increase in revenue from existing and newly-opened stores.
The segment's net profit in Q2 2017 was PLN 10 611 000, up by 262.89% from the previous year.

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

- the retail segment reversed a PLN 1 394 000 provision for compensations in Q2 2017.

Furthermore, costs related to the opening of new stores reached PLN 320 000 in Q2 2017, compared to PLN 628 000 in Q2 2016, whilst costs related to the closure of stores reached PLN 4 000 in Q2 2017 vs PLN 6 000 in Q2 2016.

	H1 2017	**H1 2016**	**%**
Segment revenue	1 211 842	1 148 442	5.52%
Profit on sales	347 230	320 560	8.32%
EBITDA	31 006	22 581	37.31%
Operating result	11 737	4 310	172.32%
Gross profit	10 618	3 522	201.48%
Net segment result	**11 627**	**2 481**	**368.64%**

Revenue from sales in H1 2017 went up by 5.52% from the same period last year, to PLN 1 211 842 000. H1 2016 revenue was driven by a substantial increase in revenue from existing and newly-opened stores.
Net profit in H1 2017 was PLN 11 627 000, down 368.64% from the previous year.

One-off events having substantial impact on H1 2017 and H1 2016 results:

- in H1 2017, no costs connected with contractual penalties and compensation were incurred, while in H1 2016 these costs amounted to PLN 716 000,
- the retail segment reversed a PLN 1 394 000 provision for compensations in H1 2017.
- in H1 2017, the retail segment received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 323 000.

Moreover, costs related to new store openings reached PLN 600 000 in H1 2017, compared to PLN 2 410 000 in H1 2016, whilst costs related to the closure of stores reached PLN 248 000 in H1 2017 vs PLN 41 000 in H1 2016.

(amounts in PLN 000s, unless otherwise stated)

Stokrotka stores

	H1 2017	H1 2016
Number of stores at the beginning of period	**372**	**327**
- stores opened	21	28
- stores shut-down	7	7
Number of stores at the end of period, including:	**386**	**348**
- own supermarkets	250	246
- own markets	88	70
- '5' markets	2	0
- franchise stores	46	32
Average total store surface - stores opened (in sqm)	383	479
Capex on own stores opened	9 088	18 682

In 2017, the segment continued to dynamically grow its retail chain. As at the end of H1 2017, the retail segment comprised 386 retail stores, vs. 348 as at the end of H1 2016.
In Q2 2017, a total of 10 stores were opened (including 1 franchise location), and 4 were closed down.
In Q2 2016, a total of 11 stores were opened (including 4 franchise locations), and 3 were closed down.
In H1 2017, a total of 21 stores were opened (including 5 franchise locations), and 7 were closed down.
In H1 2016, a total of 28 stores were opened (including 5 franchise locations), and 7 were closed down.

The segment has been working on another store concept, after supermarkets and markets, (convenience format) since last year. In the second quarter of 2017, two test stores were opened in Lublin. These new retail sites are different from other convenience stores on the market due to their advantage in fresh products and optimally adapted assortment, fully sufficient to supply households in all basic grocery products.

The Management Board expects the Stokrotka chain to expand by 72 new stores in 2017: 13 supermarkets, 39 markets and 20 franchise stores.

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

	H1 2017	H1 2016
Revenue from product sales	1 056.1	1 066.2
Store operating costs	245.2	238.7
Operating costs as % of revenue	*23.2%*	*22.4%*
EBITDA	61.2	58.9
% EBITDA	*5.8%*	*5.5%*

Data - 287 Stokrotka stores operating at the end of 2015, in PLNm

Stokrotka headquarters

	H1 2017	H1 2016
central management costs as % of revenue from sales	*2.2%*	*2.2%*
marketing costs as % of revenue from sales	*1.0%*	*1.0%*

(amounts in PLN 000s, unless otherwise stated)

Cash conversion cycle in the retail segment

	Q2 2017	Q2 2016
Inventory turnover days *(inventory / value of goods for resale and materials sold*182)*	47.6	48.5
Receivables turnover days *(trade receivables / revenue from sales*182)*	6.6	5.8
Payables turnover days *(trade payables / value of goods for resale and materials sold*182)*	69.0	70.6
(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)	-14.8	-16.3

The cash conversion cycle in the retail segment decreased by 1.5 days in Q2 2017, resulting from a decrease in payables turnover by 1.6 days and decrease in inventory turnover by 0.9 days as well as an increase of receivables turnover by 0.8 days.

Property segment

Currently the property segment covers Emperia Group's property-asset structure, which includes Elpro Development S.A. and Emperia Holding S.A.'s carved out property segment.

A merger of Elpro Development S.A. (the acquiring company) with the following companies took place on 3 April 2017: Elpro Ekon Sp. z o.o. S.K.A., P3 Ekon Sp. z o.o. S.K.A., P5 Ekon Sp. z o.o. S.K.A. and Ekon Sp. z o.o. (this transaction is described in detail in point 6.7a of the Consolidated Financial Statements)

	Q2 2017	Q2 2016	%
Segment revenue	16 950	17 326	-2.17%
EBITDA	9 693	10 112	-4.14%
Operating result	6 803	7 148	-4.83%
Gross profit	7 342	7 391	-0.66%
Tax	(1 401)	(1 133)	23.65%
Net segment result	**5 941**	**6 258**	**-5.07%**

Property-segment revenue in the second quarter of 2017 went down by 2.17%, as compared with the same period last year, reaching PLN 16 950 000. Net profit in Q2 2017 was PLN 5 941 000, down 5.07% from the previous year.

The result on property disposals did not materially impact second-quarter results, no gross result was recognised on property disposals in Q2 2017, compared to PLN 201 000 gross result on property disposals in Q2 2016.

(amounts in PLN 000s, unless otherwise stated)

The decline in profit was caused by tax (current and deferred) settled in Q2 2017 by Elpro Development S.A. after this company completed the settlement of its tax loss from previous years in 2016 (the segment's tax was PLN 268 000 higher in Q2 2017).

	H1 2017	H1 2016	%
Segment revenue	34 493	34 985	-1.41%
EBITDA	19 985	20 298	-1.54%
Operating result	14 211	14 360	-1.04%
Gross profit	15 357	14 955	2.69%
Tax	(3 670)	(2 372)	54.72%
Net segment result	**11 687**	**12 583**	**-7.12%**

The property segment generated PLN 34 493 000 in revenue from sales in H1 2017, down 1.41% from the first half of last year. The segment's net profit for H1 2017 was PLN 11 687 000, down 7.12% from the comparative period.

The result on property disposals did not materially impact second-quarter results, no gross result was recognised on property disposals in H1 2017, compared to PLN 201 000 gross result on property disposals in H1 2016.

The decline in profit was caused by tax (current and deferred) settled in H1 2017 by Elpro Development S.A. after this company completed the settlement of its tax loss from previous years in 2016 (the segment's tax was PLN 1 298 000 higher in H1 2017).

(amounts in PLN 000s, unless otherwise stated)

Key information about properties

	H1 2017	H1 2016
Number of properties at the end of period	**88**	**90**
including: properties in progress	7	5
operating properties	81	85
including: retail properties	76	79
including: retail - Stokrotka	66	68
retail - others	10	11
other properties	5	6
including: warehouses	4	4
offices	1	2
average monthly net operating income from leasable facilities*	**3 417**	**3 594**
including: retail properties	3 145	3 291
leasable area of retail facilities (sqm)	**82 616**	**87 702**
including: related tenants	53 356	55 844
other tenants	29 260	31 858
average lease rate (PLN per sqm)	**42.7**	**42.1**
including: related tenants	44.2	43.5
other tenants	40.1	39.7

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

The estimated market value of the segment's property portfolio (based on estimates for 77 properties) is PLN 460 million.

(amounts in PLN 000s, unless otherwise stated)

infinite
IT Solutions

IT segment

The IT segment covers the activities of Infinite Sp. z o.o. - an IT services provider.

	Q2 2017	Q2 2016	%
Segment revenue	8 437	9 637	-12.45%
EBITDA	570	2 679	-78.72%
Operating result	212	2 348	-90.97%
Gross profit	100	2 486	-95.98%
Net segment result	**64**	**1 998**	**-96.80%**

IT-segment revenue from sales in Q2 2017 went down by 12.45% from the same period last year, to PLN 8 437 000. Net profit in Q2 2017 was PLN 64 000, down 96.80% from the previous year.

	H1 2017	H1 2016	%
Segment revenue	16 971	19 860	-14.55%
EBITDA	928	4 921	-81.14%
Operating result	224	4 316	-94.81%
Gross profit	13	4 483	-99.71%
Net segment result	**(24)**	**3 597**	**-**

IT-segment revenue from sales in H1 2017 went down by 14.55% from the same period last year, to PLN 16 971 000.
The retail segment generated a PLN 24 000 net loss in H1 2017, compared to PLN 3 597 000 in net profit in the comparative period.

	Q2 2017	Q2 2016	%
Revenue from sale of services	7 190	8 175	-12.05%
including: external	5 111	5 916	*-13.61%*
Revenue from sale of goods and materials	1 248	1 462	-14.64%
including: external	216	449	*-51.89%*
Total revenue	8 438	9 637	-12.44%
including: external	*5 327*	*6 365*	*-16.31%*

In Q2 2017, segment revenue to external customers constituted 63.13% of total revenue from sales, while in Q2 2016 it accounted for 66.06%.
In Q2 2017, segment revenue from sale of services to external customers constituted 71.08% of total service revenue, while in Q2 2016 it accounted for 72.37%.

(amounts in PLN 000s, unless otherwise stated)

	H1 2017	H1 2016	%
Revenue from sale of services	13 978	16 593	-15.76%
including: external	9 617	*12 148*	*-20.83%*
Revenue from sale of goods and materials	2 994	3 267	-8.36%
including: external	272	*748*	*-63.64%*
Total revenue	16 972	19 860	-14.54%
including: external	*9 889*	*12 896*	*-23.32%*

In H1 2017, external revenue constituted 58.27% of total revenue, and in H1 2016: 64.93%.
In H1 2017, segment revenue from sale of services to external customers constituted 68.80% of total service revenue, while in H1 2016 it accounted for 73.21%.

Central management segment

The central management segment covers management functions and holding services within the Group. The segment comprises the following companies: Emperia Holding S.A. (remaining part), Eldorado Sp. z o.o.

	Q2 2017	Q2 2016	%
Segment revenue	198	310	-36.13%
EBITDA	(1 055)	(951)	10.94%
Operating result	(1 147)	(1 050)	9.24%
Gross profit	5 070	5 702	-11.08%
Net segment result	**5 310**	**5 868**	**-9.51%**

	H1 2017	H1 2016	%
Segment revenue	464	533	-12.95%
EBITDA	(1 811)	(1 535)	-
Operating result	(1 996)	(1 728)	-
Gross profit	4 135	5 117	-19.19%
Net segment result	**4 547**	**5 442**	**-16.45%**

The central management segment does not contribute significant value to the Group's consolidated financial statements. The segment's economic significance is currently low. The key item in this segment's results - in both reporting periods - constituted dividend income. Dividend income in H1 2017 was PLN 6 384 000, compared with PLN 6 674 000 in H1 2016.

9.2. Extraordinary events having an impact on annual performance

The event is described in point 7.4 of the Consolidated Financial Statements.

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

Management Board

Dariusz Kalinowski – President of the Management Board

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

Cezary Baran – Vice-President of the Management Board

- 16 years with Emperia Holding S.A.
- Graduated from the Maria Curie-Skłodowska University, Economics Department
- Investment adviser licence no. 241
- Member of the Management Board, Finance Director,

In H1 2017, the composition of the Management Board of Emperia Holding S.A. remained unchanged.

Supervisory Board

Artur Kawa – Chairman

- Co-founder of Emperia Holding S.A.
- Was President of the Management Board, Emperia Holding S.A. from founding to 2013
- Graduated from the Lublin University of Technology, Electrical Engineering Faculty
- MBA from the University of Minnesota

Jarosław Wawerski – Member

- Co-founder of Emperia Holding S.A.
- Graduated from the Lublin University of Technology, Electrical Engineering Faculty
- Vice-President of Emperia Holding's management board during 1995-2012

Artur Laskowski – Member

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

Aleksander Widera – Independent Member of the Supervisory Board

- Degree in Finance and Banking from the Warsaw School of Economics, completed post-graduate studies in management at the same university

Michał Kowalczewski – Independent Member

- 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 2017.

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) Property-market situation, particularly as regards supply of land and properties intended for retail.

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) Improvement in retail efficiency, particularly: productivity and costs, logistics and product losses, price policy, loyalty programmes,
e) Growth dynamic of the Stokrotka retail chain
f) Stronger motivation for store employees through higher wages

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. A description of the tax inspection at the Group concerning 2012 corporate income tax is presented in note 6.

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 expense 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.

12.Emperia Group's community outreach

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

Stokrotka Helps

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.

Noble Box

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.

Academy of the Future

The Academy of the Future is an organisation related to the Noble Box. This is an all-year-round programme consisting of individual educational meetings with children being brought up in difficult conditions and thus having difficulties with learning. In June 2017, as part of the so called CEO Chairs, pupils of the Academy of the Future had the chance to see Stokrotka's central office and meet members of the Management Board.

Blood drive

Just like every year since 2011, a blood drive open to 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.

Miesięczne Praktyki Bezpłatne

Our Company values our employees' creativity, involvement and pro-active attitude, which is why we make plenty of young, inexperienced hires.

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.

Scholarship programme

Infinite Sp. z o.o. has launched a scholarship programme addressed to the students of the Lublin University of Technology and UMCS in Lublin majoring in IT or related studies. As part of the programme, students get an opportunity to develop their passions and receive employment guarantees once they graduate.

Open Days

Our company organises Open Days for students at our headquarters in Lublin. 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 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 are developing the Stokrotka Passions Programme which co-finances hobbies for our employees.

13.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 are 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,

Signatures of all Management Board members:

Dariusz Kalinowski	President of the Management Board	.... Signature
Cezary Baran	Vice-President of the Management Board, Finance Director	.... Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska	Economic Director	.... Signature