



## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FIRST HALF OF 2017**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

*(DATA IN PLN 000s)*

Warsaw, August 2017

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## 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 for resale and materials	7 508	7 968	1 768	1 819
II.	Operating profit	2 613	2 310	615	527
III.	Profit before tax	8 760	17 337	2 062	3 958
IV.	Profit for the period	8 301	16 805	1 954	3 836
V.	Net cash flows from operating activities	2 063	1 576	486	360
VI.	Net cash flows from investing activities	6 953	1 791	1 637	409
VII.	Net cash flows from financing activities	29 393	-	6 920	-
VIII.	Total net cash flows	38 409	3 367	9 043	769
IX.	Total assets	528 833	491 531	125 123	111 106
X.	Liabilities and liability provisions	53 073	24 072	12 557	5 441
XI.	Non-current liabilities	926	816	219	184
XII.	Current liabilities	52 147	23 256	12 338	5 257
XIII.	Equity	475 760	467 459	112 566	105 664
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.	Earnings per ordinary share, annualised (in PLN/EUR)*	0.80	1.65	0.19	0.38
XVIII.	Diluted earnings per ordinary share, annualised (in PLN/EUR)**	0.80	1.65	0.19	0.38
XIX.	Book value per share (in PLN/EUR)	38.55	37.88	9.12	8.56
XX.	Diluted book value per share (in PLN/EUR)**	39.84	38.68	9.43	8.74
XXI.	Dividend per share (in PLN/EUR)	-	-	-	-

\* value is calculated using the weighted average number of shares in the Company

\*\* value is calculated using the weighted average diluted number of shares in the Company

### 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.

## 2 Statement of financial position

	30 Jun 2017 Unaudited	31 Dec 2016 Audited
<b>Non-current assets</b>	<b>481 742</b>	<b>483 182</b>
Property, plant and equipment	146	662
Investment properties	54 225	54 916
Intangible assets	981	1 156
Financial assets	426 286	426 286
Deferred income tax assets	100	159
Other non-current prepayments	4	3
<b>Current assets</b>	<b>47 091</b>	<b>8 349</b>
Current receivables	2 962	2 953
Current prepayments	430	106
Cash and cash equivalents	43 699	5 290
<b>Total assets</b>	<b>528 833</b>	<b>491 531</b>
<b>Equity</b>	<b>475 760</b>	<b>467 459</b>
Share capital	12 342	12 342
Share premium	411 670	411 670
Reserve capital	43 447	25 442
Retained earnings	8 301	18 005
<b>Non-current liabilities</b>	<b>926</b>	<b>816</b>
Non-current liabilities	113	112
Provisions	49	49
Deferred income tax provision	764	655
<b>Current liabilities</b>	<b>52 147</b>	<b>23 256</b>
Credit facilities, loans, debt instruments and other current liabilities	49 668	19 959
Current liabilities	964	1 356
Income tax liabilities	32	63
Provisions	269	611
Deferred revenue	1 214	1 267
<b>Total equity and liabilities</b>	<b>528 833</b>	<b>491 531</b>

	30 Jun 2017 Unaudited	31 Dec 2016 Audited
<b>Book value</b>	<b>475 760</b>	<b>467 459</b>
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 940 998	12 086 113
Book value per share	38.55	37.88
Book value per share (in PLN)*	39.84	38.68

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

**Warsaw,**

Dariusz Kalinowski	President of the Management Board	..... Signature
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Cezary Baran	Vice-President of the Management Board	..... Signature
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**Signatures of persons responsible for book-keeping**

Elżbieta Świniarska	Economic Director	..... Signature
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Tomasz Koszczan	Head of Accounting	..... Signature
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### 3 Statement of profit and loss and statement of comprehensive income

	Three months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2017 Unaudited	Three months ended 30 Jun 2016 Unaudited	Six months ended 30 Jun 2016 Unaudited
<b>Revenue from sales</b>	<b>3 620</b>	<b>7 508</b>	<b>4 116</b>	<b>7 968</b>
- from subsidiaries	2 091	4 698	2 614	5 191
Revenue from sale of services	3 585	7 461	4 106	7 950
Revenue from sale of goods and materials	35	47	10	18
<b>Cost of sales</b>	<b>(1 567)</b>	<b>(3 543)</b>	<b>(1 784)</b>	<b>(3 568)</b>
- from subsidiaries	(1 620)	(2 831)	(1 477)	(2 956)
Cost of manufacture of services sold	(1 567)	(3 543)	(1 784)	(3 568)
Value of goods and materials sold	-	-	-	-
<b>Profit on sales</b>	<b>2 053</b>	<b>3 965</b>	<b>2 332</b>	<b>4 400</b>
Other operating revenue	984	1 057	58	133
Selling costs	-	-	-	-
Administrative expenses	(1 347)	(2 371)	(1 343)	(2 212)
Other operating expenses	(37)	(38)	(6)	(11)
<b>Operating profit</b>	<b>1 653</b>	<b>2 613</b>	<b>1 041</b>	<b>2 310</b>
Finance income	6 393	6 464	14 790	15 027
Finance costs	(173)	(317)	0	0
<b>Profit before tax</b>	<b>7 873</b>	<b>8 760</b>	<b>15 831</b>	<b>17 337</b>
Income tax	(280)	(459)	(233)	(532)
- current	(142)	(290)	(183)	(553)
- deferred	(138)	(169)	(50)	21
<b>Profit for the period</b>	<b>7 593</b>	<b>8 301</b>	<b>15 598</b>	<b>16 805</b>

<b>Annualised profit</b>	<b>9 510</b>	<b>20 007</b>
Number of shares	12 342 027	12 340 049
Weighted average number of shares	11 940 998	12 138 215
Weighted average diluted number of ordinary shares	11 940 998	12 139 331
Profit (loss) per ordinary share (in PLN)	0.77	1.62
Profit (loss) per ordinary share (in PLN)*	0.80	1.65
Diluted profit (loss) per ordinary share (in PLN)**	0.80	1.65

\* 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	Three months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2017 Unaudited	Three months ended 30 Jun 2016 Unaudited	Six months ended 30 Jun 2016 Unaudited
Profit for the period	7 593	8 301	15 598	16 805
Other comprehensive income (not subject to reclassification to results):	-	-	-	-
- Revaluation of employee benefit liabilities	-	-	-	-
- Income tax on components of other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>7 593</b>	<b>8 301</b>	<b>15 598</b>	<b>16 805</b>

**Warsaw,**

Dariusz Kalinowski

President of the Management Board

.....  
Signature

Cezary Baran

Vice-President of the Management Board

.....  
Signature

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Elżbieta Świniarska

Economic Director

.....  
Signature

Tomasz Koszczan

Head of Accounting

.....  
Signature

## 4 Statement of changes in equity

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
<b>As at the beginning of period: 1 January 2017</b>	<b>12 342</b>	<b>411 670</b>	-	<b>25 442</b>	<b>18 005</b>	-	<b>467 459</b>
Change in accounting standards and policies	-	-	-	-	-	-	-
<b>As at the beginning of period: 1 January 2017, adjusted</b>	<b>12 342</b>	<b>411 670</b>	-	<b>25 442</b>	<b>18 005</b>	-	<b>467 459</b>
Profit for the period	-	-	-	-	8 301	-	8 301
Other net comprehensive income	-	-	-	-	-	-	-
Prior-year profit distribution - transfer to equity	-	-	-	18 005	(18 005)	-	-
Share issuance - incentive scheme	-	-	-	-	-	-	-
Management options provision	-	-	-	-	-	-	-
Reclassification of capital after settlement of all incentive schemes	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
<b>30 Jun 2017</b>	<b>12 342</b>	<b>411 670</b>	-	<b>43 447</b>	<b>8 301</b>	-	<b>475 760</b>

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
<b>As at the beginning of period: 1 January 2016</b>	<b>13 235</b>	<b>465 315</b>	<b>723</b>	<b>337</b>	<b>25 442</b>	<b>(55 646)</b>	<b>449 406</b>
Change in accounting standards and policies	-	-	-	-	-	-	-
<b>As at the beginning of period: 1 January 2016, adjusted</b>	<b>13 235</b>	<b>465 315</b>	<b>723</b>	<b>337</b>	<b>25 442</b>	<b>(55 646)</b>	<b>449 406</b>
Profit for the period	-	-	-	-	16 805	-	16 805
Other net comprehensive income	-	-	-	-	-	-	-
Prior-year profit distribution - transfer to equity	-	-	-	25 442	(25 442)	-	-
Share issuance - incentive scheme	5	203	(208)	-	-	-	-
Management options provision	-	-	-	-	-	-	-
Reclassification of capital after settlement of all incentive schemes	-	-	-	-	-	-	-
Cancellation of own shares	(900)	(54 409)	-	(337)	-	55 646	-
<b>30 Jun 2016</b>	<b>12 340</b>	<b>411 109</b>	<b>516</b>	<b>25 442</b>	<b>16 805</b>	-	<b>466 212</b>



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President of the Management Board

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Economic Director

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Tomasz Koszczan

Head of Accounting

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## 5 Statement of cash flows

Operating activities	Six months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2016 Unaudited
<b>Profit for the period</b>	<b>8 301</b>	<b>16 805</b>
<b>Adjusted by:</b>	<b>(6 238)</b>	<b>(15 229)</b>
Depreciation / amortisation	967	831
Interest and shares of profit (dividends)	(6 068)	(278)
Income tax	459	532
Profit (loss) on investing activities	(167)	(85)
Change in provisions	(342)	(33)
Change in receivables	(16)	(14 603)
Change in prepayments	(378)	(55)
Change in liabilities	(372)	(990)
Income tax paid	(321)	(548)
<b>Net cash from operating activities</b>	<b>2 063</b>	<b>1 576</b>

Investing activities	Six months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2016 Unaudited
<b>Inflows</b>	<b>7 135</b>	<b>64 505</b>
Disposal of property, plant and equipment and intangible assets	751	1 188
Disposal of financial assets	-	63 317
Disposal of interests in subsidiaries	-	-
Dividends received	6 384	-
Proceeds from redeemed shares	-	-
Interest received	-	-
Repayment of loans issued	-	-
Proceeds from correction of price for purchased shares	-	-
<b>Outflows</b>	<b>(182)</b>	<b>(62 714)</b>
Purchase of property, plant and equipment and intangible assets	(182)	(342)
Purchase of subsidiaries and associates	-	(504)
Purchase of financial assets	-	(61 868)
Borrowings granted	-	-
Expenditures on maintenance of investment properties	-	-
Costs of disposal of property, plant and equipment	-	-
<b>Net cash from investing activities</b>	<b>6 953</b>	<b>1 791</b>

Financing activities	Six months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2016 Unaudited
<b>Inflows</b>	<b>124 397</b>	-
Issue of short-term debt instruments	124 397	-
Proceeds from equity issuance	-	-
<b>Outflows</b>	<b>(95 004)</b>	-
Interest paid	-	-
Dividends paid	-	-
Payment of finance lease liabilities	-	-
Buy-back of short-term debt instruments	(95 004)	-
Purchase of own shares	-	-
<b>Net cash from financing activities</b>	<b>29 393</b>	-

	Six months ended 30 Jun 2017 Unaudited	Six months ended 30 Jun 2016 Unaudited
<b>Change in cash and cash equivalents</b>	<b>38 409</b>	<b>3 367</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>5 290</b>	<b>10 571</b>
<b>Cash and cash equivalents at the end of period</b>	<b>43 699</b>	<b>13 938</b>

**Warsaw,**

Dariusz Kalinowski

President of the Management Board

.....  
Signature

Cezary Baran

Vice-President of the Management Board

.....  
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**Signatures of persons responsible for book-keeping**

Elżbieta Świniarska

Economic Director

.....  
Signature

Tomasz Koszczan

Head of Accounting

.....  
Signature

## 6 Additional information

### 6.1 Information about the Company

#### Company name, registered office and economic activities

The Company, 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 in Warsaw, ul. Puławska 2B, postal code 02-566 (registered office change: 15 April 2016).

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

Since 1 April 2007, the principal economic activity of Emperia Holding S.A. is activities of holding companies (PKD 7415Z).

The company is a VAT payer, with NIP no. 712-10-07-105.

These 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 financial statements were drawn up on the assumption that the business will continue as a going concern and that there are no circumstances that would indicate a threat to the continuing operations of Company in the future.

Emperia Group's consolidated financial statements and Emperia Holding S.A.'s separate financial statements are available in the Investor Relations sections at the website [www.emperia.pl](http://www.emperia.pl).

#### Information on consolidation

As at 30 June 2017, consolidation included Emperia Holding S.A. and the following subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Development S.A., Eldorado Sp. z o.o.

During H1 2017, Emperia Group's structure was subject to changes (compared with the 2016 year-end). 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. (the acquired companies).

No.	Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	509157, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
4	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%

**Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 30 June 2017**

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

(1) indirectly through Elpro Development S.A.

## 6.2 Description of key accounting principles

### 6.2.1 Basis for preparing the financial statements

The financial statements have been prepared under the historical cost concept, except for financial assets measured at fair value.

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

### 6.2.2 Statement of compliance

These unaudited condensed interim financial statements of Emperia Holding S.A. ("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 Interim Financial Statements were prepared.

### 6.2.3 Segment reporting

Segment reporting identifies Emperia's operating segments, which:

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

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

- 1 **Retail** (retail segment) concerns retail agency agreements, including statistically assigned and accounted costs relating to this revenue,
- 2 **Property** (property segment) covers revenue and costs connected with managing the Company's operating properties,
- 3 **Central Management** (central management segment), covers the management functions, holding services and advisory within the Group.

### 6.2.4 Functional currency

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

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

Drafting 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.

#### **6.2.5 Accounting policy applied to these consolidated financial statements**

The accounting policy applied in preparing the financial statements of Emperia Holding S.A. for the first half of 2017 did not change in comparison with the policy applied by the Company in preparing its 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).

#### **6.2.6 Changes in adopted accounting principles**

The Company implements new IFRS standards and interpretations such as are applicable in the respective reporting periods. The Company specifies what changes were applicable to its business and what effects these had on the financial statements and comparative data.

#### **6.2.7 Expected changes in accounting principles**

The interim consolidated financial statements and interim separate financial statements for the first quarter 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.

#### **6.2.8 Accounting estimates**

Preparing financial statements in accordance with EU IFRS requires that the Management Board use certain accounting estimates and assumptions concerning future events which may have an impact on the value of assets, liabilities, revenues and costs presented in current and future financial statements. Estimates and assumptions are subject to systematic verification, based on the management's best knowledge, historical experiences and expectations regarding future events such as are presently justified and rational. In certain significant issues, the management uses independent experts' opinions. However, such estimates and judgements may contain a margin of error, and the actual results may differ from estimates.

The effects of changes in estimated values are recognised prospectively: in the result of the period in which the estimate was changed or in the present-period result and in future periods. Areas where estimates, judgements

and assumptions have material impact on consolidated financial statements are presented in Emperia Group's consolidated financial statements for 2016 (note 6.2.7).

#### **6.2.9 Correction of errors**

Errors may relate to the recognition, measurement and presentation of items in financial statements, or to information disclosures.

Errors identified during the preparation of financial statements are adjusted in the statements being prepared. Errors identified in subsequent reporting periods are adjusted by amending the comparative data presented in the financial statements for the period in which they were identified. The Company corrects prior-period errors using the retrospective approach and retrospective restatement of data, as long as this is practicable.

#### **6.2.10 Mergers, acquisitions and capital increases**

No such events took place at Emperia Holding S.A. during the period.

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

No such events took place at Emperia Holding S.A. during the period.



## 6.3 Notes to the financial statements

### 6.3.1 Uniformity of accounting principles and calculation methods used in preparing the semi-annual financial statements and the previous annual financial statements

A description of the Company's main accounting principles, applied since 1 January 2005, is presented in these financial statements under Note 6.2. The Company applies these principles retrospectively so as to reliably and credibly present its financial results.

### 6.3.2 Production seasonality and cyclicity

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

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

No such events took place during the period.

### 6.3.4 Impairment of property, plant and equipment, intangible assets and other assets, and reversal thereof

Rules for recognising and reversing impairment losses on property, plant and equipment, financial assets, inventories and receivables at the Company did not change in comparison with those applied in preparing the 2016 financial statements.

Impairment of receivables	Change in H1 2017	Change in FY 2016
As at the beginning of period	<b>2 036</b>	<b>2 352</b>
Recognition	41	57
Reversal	(41)	(373)
<b>As at the end of period</b>	<b>2 036</b>	<b>2 036</b>

### 6.3.5 Deferred income tax

Deferred income tax assets	Change in H1 2017	Change in FY 2016
As at the beginning of period	159	102
<i>Increase</i>	16	57
<i>Decrease</i>	(75)	-
<b>As at the end of period</b>	<b>100</b>	<b>159</b>

Deferred income tax provision	Change in H1 2017	Change in FY 2016
As at the beginning of period	655	642
<i>Recognition</i>	109	13
<i>Reversal</i>	-	-
<b>As at the end of period</b>	<b>764</b>	<b>655</b>

### 6.3.6 Issue, redemption and repayment of debt and equity securities

Bond transactions in H1 2017	Elpro Development S.A.	<u>Total</u>
As at the beginning of period	20 000	20 000
<i>Purchase of bonds from the issuer</i>	125 000	125 000
<i>Redemption of bonds by the issuer</i>	(95 000)	(95 000)
<b>As at the end of period</b>	<b>50 000</b>	<b>50 000</b>
As at the end of period, after discount	49 668	49 668

Issue and buy-back of bonds in 2016	P3 Ekon Sp. z o.o. S.K.A.	<u>Total</u>
As at the beginning of period	-	-
<i>Issue of bonds</i>	40 000	40 000
<i>Redemption of bonds by issuer</i>	(20 000)	(20 000)
<b>As at the end of period</b>	<b>20 000</b>	<b>20 000</b>
As at the end of period, after discount	-	-

**6.3.7 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 FY 2016
<b>Non-current</b>		
As at the beginning of period	49	32
<i>Increases / decreases during the period</i>	-	17
<b>As at the end of period</b>	<b>49</b>	<b>49</b>
<b>Current</b>		
As at the beginning of period	511	305
<i>Increases / decreases during the period</i>	(307)	206
<b>As at the end of period</b>	<b>204</b>	<b>511</b>
<b>Other provisions</b>	<b>Change in H1 2017</b>	<b>Change in FY 2016</b>
<b>Non-current</b>		
As at the beginning of period	-	-
<i>Increases / decreases during the period</i>	-	-
<b>As at the end of period</b>	<b>-</b>	<b>-</b>
<b>Current</b>		
As at the beginning of period	99	19
<i>Increases / decreases during the period</i>	(34)	80
<b>As at the end of period</b>	<b>65</b>	<b>99</b>

Employee benefit provisions cover retirement pay, unused vacation time, actuarial losses and bonuses. Other provisions concern mainly remuneration for review and audit of financial statements.

**6.3.8 Credit facilities, loans, debt instruments and other financial liabilities**

During the period covered by these financial statements, the Company financed its activities with debt securities, as described in detail in note 6.3.6.

### 6.3.9 Dividends paid

#### Dividends paid:

In H1 2017, Emperia Holding S.A. did not pay out a dividend from 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.

### 6.3.10 Effects of changes in organisational structure during the interim period, together with mergers, acquisitions or disposal of subsidiaries and long-term investments, restructurings and discontinuations

The Company did not record any such events during the reporting period.

### 6.3.11 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.

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

<i>Guarantees</i>	Credit facilities	Bank guarantees	Security interests
As at the beginning of period	-	25 000	9 325
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	(6 350)
<b>As at the end of period</b>	-	<b>25 000</b>	<b>2 975</b>

Moreover, Emperia Holding S.A. has an off-balance-sheet liability in the form of a mortgage on properties, amounting to a total of PLN 634.7 million, resulting from a Credit Agreement, described in detail in point 6.3.23 f)

#### Changes in off-balance sheet liabilities during 2016:

	Credit facilities	Bank guarantees	Security interests
<b>Guarantees</b>			
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

#### 6.3.12 Write down of inventory to net realisable value, and reversal thereof

The Company did not record any such events during the reporting period.

#### 6.3.13 Reversal of cost restructuring provisions

The Company did not record any such events during the reporting period.

#### 6.3.14 Financial and operating leasing

The Company did not have any operating leasing contracts.

#### H1 2017:

##### Arrangements containing a lease component in accordance with IFRIC 4

Asset	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	24	47	189	236
	unspecified	-	-	-	-
Technical equipment and machinery	specified	-	-	-	-
	unspecified	4	7	28	35
Means of transport	specified	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

2016:

**Arrangements containing a lease component in accordance with IFRIC 4**

Asset	Term of agreement	As at 30 Jun 2016	As at 30 Jun 2017	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	10	41	165	206
	unspecified	-	-	-	-
Technical equipment and machinery	specified	-	-	-	-
	unspecified	9	17	68	86
Means of transport	specified	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

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

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

The Company did not record any such events during the reporting period.

**6.3.16 Settlements connected with court proceedings**

Information on court settlements is presented in note 14

**6.3.17 Correction of prior-period errors**

The Company did not correct prior-period errors during the reporting period.

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

The Company did not record any such events during the reporting period.

**6.3.19 Related-party transactions**

Transactions between Group companies are executed on market terms.

Revenue from related parties, including:		
sales of products and services	sale of goods and materials	property, plant and equipment and intangible assets
4 650	47	729

Purchases from related parties, including:		
services and materials	goods and materials for resale	property, plant and equipment and intangible assets
633	0	0
Receivables from related parties, including:		
for products and services	from sale of property, plant and equipment and intangible assets	related to collateral
510	14	0
Liabilities towards related parties, including:		
for products and services	from purchase of property, plant and equipment and intangible assets	related to collateral
122	0	32

Short-term bonds were issued as part of the Group's cash flow management, as described in Note 6.3.23 e)

Transactions connected with dividends paid by subsidiaries are presented in Note 6.3.9.

Equity transactions between Group companies are presented in Note 6.2.10.

#### 6.3.20 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.

### 6.3.21 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%

### 6.3.22 Changes in the Company's Management Board

The composition of the Company's Management Board did not change during the period.

### 6.3.23 Other significant information during the reporting period

#### 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

The event is described in point 14 of the report on the Company's activities.



**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.

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) Intra-group bond issuance**

On 27 January 2017, Emperia Holding S.A. issued short-term bonds maturing on 10 March 2017, which were acquired by P3 Ekon Sp. z o.o. The total par value of the issued bonds was PLN 20 million.

On 10 March 2017, Emperia Holding S.A. issued short-term bonds maturing on 14 April 2017, which were acquired by P3 Ekon Sp. z o.o. The total par value of the issued bonds was PLN 20 million.

On 14 April 2017, Emperia Holding S.A. issued short-term bonds maturing on 19 May 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 20 million.

On 19 May 2017, Emperia Holding S.A. issued short-term bonds maturing on 16 June 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 15 million.

On 16 June 2017, Emperia Holding S.A. issued short-term bonds maturing on 15 September 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 50 million.

**f) 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
<b>Borrower</b>	Elpro Development S.A.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.
<b>Objective of credit/guarantee</b>	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
<b>Amount of credit/guarantee</b>	PLN 150 million	PLN 10 million	PLN 40 million	PLN 25 million

<b>Price terms</b>	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
<b>Repayment deadline</b>	27 October 2022	27 October 2022	27 April 2019	27 April 2019
<b>Basic collateral</b>	<ul style="list-style-type: none"> <li>pledge on Elpro Development S.A. shares</li> <li>pledge on bank accounts of Emperia Holding S.A., Elpro Development S.A. and Stokrotka Sp. z o.o.</li> <li>pledge on Elpro Development S.A. properties and rights</li> <li>assignment of rights and receivables under lease and collateral contracts of Emperia Holding S.A. and Elpro Development S.A.</li> <li>assignment of rights and receivables under Stokrotka Sp. z o.o.'s contracts with payment card operators</li> <li>mortgage on properties of Emperia Holding S.A. and Elpro Development</li> <li>Emperia Holding S.A.'s accession into the debt of Elpro Development S.A. and Stokrotka Sp. z o.o.</li> <li>Elpro Development S.A.'s accession into the debt of Stokrotka Sp. z o.o.</li> </ul>		<ul style="list-style-type: none"> <li>mortgage on Stokrotka Sp. z o.o.'s properties</li> <li>pledge on Stokrotka Sp. z o.o.'s inventories</li> <li>assignment of rights and receivables under Stokrotka Sp. z o.o.'s insurance contracts</li> <li>pledge on bank accounts of Stokrotka Sp. z o.o.</li> </ul>	

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.

**g) 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.

#### **h) 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, adoption of resolutions on appointment of Supervisory Board members.

### **6.3.24 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 was informed by the tax firm representing it in the case that it had received on 21 August 2017 a decision by the Head of the Tax Authority Chamber in Warsaw, dated 8 August 2017, upholding the decision of 31 January 2017 of the Head of the Tax Control Office in Lublin, as described in detail in point 14

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,**

Dariusz Kalinowski

President of the Management Board

.....  
Signature

Cezary Baran

Vice-President of the Management Board

.....  
Signature

**Signatures of persons responsible for book-keeping**

Elżbieta Świniarska

Economic Director

.....  
Signature

Tomasz Koszczan

Head of Accounting

.....  
Signature

**Management report on the operations of Emperia Holding S.A.  
in H1 2017**



## 1. Key financial data

Item	As at 30 June 2017	As at 30 June 2016	%
Revenue from sales	7 508	7 968	-5.8%
EBITDA	3 580	3 143	13.9%
Operating profit	2 613	2 310	13.1%
Profit before tax	8 760	17 337	-49.5%
Net profit	8 301	16 805	-50.6%
Total assets	528 833	525 561	0.6%
Liabilities and liability provisions	53 073	59 350	-10.6%
Current liabilities	52 147	58 611	-11.0%
Net assets	475 760	466 211	2.0%
Weighted average number of shares	11 941	12 138	-1.6%
Net earnings per share	0.80	1.65	-51.7%

## Operational performance and ability to meet liabilities

Item	As at 30 June 2017	As at 30 June 2016
Return on invested capital (net profit for the period / equity at the end of the period) in %	1.74%	3.60%
Return on assets (net profit for the period / assets at the end of the period) in %	1.57%	3.20%
Sales margin (profit from sales for the period / revenue from sales for the period) in %	52.81%	55.23%
EBITDA margin, in %	47.68%	39.44%
EBIT operating margin (operating profit for the period / revenue from sales for the period) in %	34.80%	28.99%
Gross margin (profit for the period / revenue from sales for the period) in %	116.67%	217.57%
Net margin (profit from sales for the period / revenue from sales for the period) in %	110.56%	210.90%

In H1 2017, the Company recorded a 50% decline in net profit, compared to the same period the previous year. The main reasons for this were lower proceeds from dividends received from subsidiaries (no dividend from Elpro Development and lower dividend from Infinite). Adjusting for the above factor, net profit declined by 10%.

## 2. Scope of Emperia Holding S.A.'s business

Emperia Holding S.A. is a holding company for entities comprising Emperia Group, and in particular provides services such as legal, management accounting, book-keeping, HR, IT, cash flow management, investment and email management. After the restructuring process and change in the shared services strategy, Emperia now focuses on providing services to companies mainly in the property development segment.

Furthermore, the Company provides trade intermediary services (support services for trade partners in the retail segment).

The Company also manages properties: own and those belonging to other companies in the property segment.

Geographical scope of the Company's property development activities in H1 2017:

Lublin voivodship: Lublin (Projektowa), Lublin (Kunickiego), Lublin (Męczenników Majdanka), Lublin (Nałkowskich), Lublin (Dąbrowica),

Sub-Carpathian voivodship: Rzeszów (Kwiatkowskiego)

Emperia Holding S.A. operates in Poland.

## 3. Assessment of financial management in H1 2017 using liquidity ratios, along with the structure, rotation and level of debt

Liquidity ratios	As at 30 June 2017	As at 30 June 2016
Current ratio (current assets / current liabilities)	0.90	0.71
Quick ratio (liquid current assets / current liabilities)	0.90	0.71
Cash ratio (short-term investments / current liabilities)	0.84	0.41

Liquidity ratios are up from the same period of 2016. This was mainly caused by a 13% increase in current assets (significant increase in short-term investments), alongside an 11% decrease in current liabilities. The main component of liabilities is bonds, constituting 95% of the total. The year-on-year decline in liabilities resulted mainly from the settlement of a buy-back programme towards a subsidiary (Elpro Development).

Turnover cycles for key components of working capital	As at 30 June 2017	As at 30 June 2016
Inventory turnover days (inventory / value of goods for resale and materials sold*number of days in period)	0.00	0.00
Receivables turnover days (current receivables / revenue from sales*number of days in period)	71.01	394.60
Payables turnover days ([current liabilities - current borrowings] / value of goods for resale and materials sold*number of days in period)	0.00	0.00
Asset productivity (revenue from sales / total assets)	0.01	0.02
Non-current asset productivity (revenue from sales / non-current assets)	0.02	0.02

In the first half of 2017, the Company did not report sales of goods and materials. The change in receivables turnover in 2017 results from dividend receivables from related parties arising in 2016, which did not arise in 2017.

Debt ratios	As at 30 June 2017	As at 30 June 2016
Debt ratio (liabilities and liability provisions / total assets)	0.10	0.11
Debt to equity (liabilities and liability provisions / equity)	0.11	0.13
Equity-to-assets ratio (equity / total assets)	0.90	0.89
Long-term debt ratio (non-current liabilities / total assets)	0.00	0.00

#### 4. Sales markets

Despite a limited scope for holding services provided, the Company's main customers continue to be subsidiaries within Emperia Group.

#### 5. Significant agreements

As regards banking services, the Company works with PKO BP S.A., Bank PEKAO S.A., mBank S.A. and BGŻ BNP Paribas S.A.

From 1 April 2017, Compensa TU S.A. is property insurer. Emperia also holds civil liability insurance. Insurance agreements are executed for a 12-month period. As regards motor insurance, an agreement was entered into with AXA Ubezpieczenia TUiR S.A. (contract expires on 30 September 2017).

#### 6. Key events in H1 2017 at Emperia Holding S.A.

Significant events are described in Note 6.3.23.

#### 7. Extraordinary events having an impact on annual financial performance

No such events took place during the period.



## 8. Revenue and profit by operating segment

Revenue and profit by operating segment at Emperia Holding S.A. in H1 2017:

	Retail	Property	Central management	Total
Segment revenue	1 383	5 658	468	7 508
External revenue	1 383	1 422	6	2 811
Inter-segment revenue	-	4 236	462	4 698
Total segment costs	(277)	(3 085)	(2 553)	(5 914)
Profit on sales	1 106	2 573	(2 085)	1 594
Result on other operating activities	-	899	120	1 019
Result on financing activities	-	17	6 131	6 147
Gross result	1 106	3 488	4 166	8 760
Tax	(210)	(660)	412	(459)
Share of the profit of equity-accounted entities	-	-	-	-
<b>Net segment result</b>	<b>896</b>	<b>2 828</b>	<b>4 577</b>	<b>8 301</b>

	Retail	Property	Central management	Total
Segment assets / liabilities	-	54 130	474 702	528 833
Goodwill	-	-	-	-

	Retail	Property	Central management	Total
Capital expenditures	-	(182)	-	(182)
Depreciation / amortisation	-	(783)	(185)	(967)

Revenue and profit by operating segment at Emperia Holding S.A. in H1 2016:

	Retail	Property	Central management	Total
Segment revenue	1 452	5 978	538	7 968
External revenue	1 452	1 322	3	2 777
Inter-segment revenue	-	4 656	535	5 191
Total segment costs	(316)	(3 134)	(2 330)	(5 780)
Profit on sales	1 135	2 845	(1 792)	2 188
Result on other operating activities	-	23	99	122
Result on financing activities	-	8 182	6 845	15 026
Gross result	1 135	11 049	5 152	17 337
Tax	(216)	(641)	325	(532)
Share of the profit of equity-accounted entities	-	-	-	-
<b>Net segment result</b>	<b>920</b>	<b>10 408</b>	<b>5 477</b>	<b>16 805</b>

	Retail	Property	Central management	Total
Segment assets / liabilities	-	55 740	469 821	525 561
Goodwill	-	-	-	-

	Retail	Property	Central management	Total
Capital expenditures	-	(342)	-	(342)
Depreciation / amortisation	-	(639)	(192)	(831)

## 9. Capital expenditures

Capital expenditures of PLN 0.18 million were made in the first half of 2017.

## 10. Company's dividend policy

Information on dividends is presented in note 6.3.9

## 11. External factors which might have an impact on Emperia Holding S.A.'s results in the coming year

### External:

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

### Internal:

- Business process optimisation (improved operating performance and higher management quality in all segments),
- Streamlined structure of the property segment,
- Procurement of attractive retail locations,
- Internal cost control policy,
- Growth dynamic of the retail chain.

## 12. Growth perspectives

Emperia Holding S.A. is a holding company the core business of which is management of the Group's subsidiaries and certain central functions such as: financial management, IT services, management of selected asset and liability groups, etc. In H1 2017, the Company was involved in property development. This business diversification is in line with the Company's strategy.

### 13. 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. Short-term bonds were issued as part of the Group's cash flow management, as described in Note 6.3.23. Other intra-Group transactions are described in note 6.3.9.

### 14. Information regarding on-going 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 qualify 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.

## **15. Credit facilities, guarantees, loans and sureties**

On 27 April 2017, a Credit Agreement was signed for the following subsidiaries: Elpro Development S.A. and Stokrotka Sp. z o.o., to be used to make a loan to Emperia Holding S.A. to finance a tax liability. The Issuer provided collateral for this Agreement. Detailed information on this subject is presented in note 6.3.23 point f.

## **16. Changes in key management principles**

Emperia Holding S.A. did not introduce any changes to its key management principles in H1 2017.

## **17. Changes in Management Board and Supervisory Board composition**

### **Changes in Emperia Holding S.A.'s Management Board**

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

At report publication date, the Management Board of Emperia Holding S.A. comprised:

1. Dariusz Kalinowski – President of the Management Board
2. Cezary Baran – Vice-President of the Management Board, Finance Director

### **Changes in Emperia Holding S.A.'s Supervisory Board**

The composition of Emperia Holding S.A.'s Supervisory Board did not change during H1 2017.

Composition of Emperia Holding S.A.'s Supervisory Board as at 30 June 2017:

1. Artur Kawa – Chairperson of the Supervisory Board
2. Michał Kowalczewski – Deputy Chairperson of the Supervisory Board
3. Aleksander Widera – Independent Member of the Supervisory Board
4. Artur Laskowski – Member of the Supervisory Board
5. Jarosław Wawerski – Member of the Supervisory Board

## **18. Other significant information**

Other significant information is presented in Note 6.3.23.

## **19. Description of Group structure**

The Group's organisational structure, showing the companies subject to consolidation, is presented in point 6.1 of these financial statements.

## **20. Effects of changes in the Company's structure**

There were no changes in the Company's structure.

## **21. The management's view as regards meeting guidance published for a given year**

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

## 22. Shareholder information

Information about shareholders with at least 5% of the total number of votes at the general meeting is presented in Note 6.3.20

## 23. Shareholding by management and supervisory personnel

Holdings of Management Board and Supervisory Board members are presented in note 6.3.21

## 24. Related-party transactions

Information on the Company's related-party transactions is presented in Note 6.3.19

## 25. Management Board declarations

The Management Board of Emperia Holding S.A. declares that, to the best of its knowledge, the semi-annual financial statements and comparative data are prepared in accordance with the binding accounting principles and that they present the Issuer's financial situation, asset position and financial results in a credible, reliable and transparent manner.

The Management Board of Emperia Holding S.A. declares that the entity authorised to audit financial statements which audited the Company's 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 semi-annual financial statements in accordance with binding national regulations.

**Warsaw,**

Dariusz Kalinowski

President of the Management Board

.....  
Signature

Cezary Baran

Vice-President of the Management Board

.....  
Signature

### Signatures of persons responsible for book-keeping

Elżbieta Świniarska

Economic Director

.....  
Signature