

Emperia Holding



CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2017

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

WARSAW

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!

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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 Sep 2017	For the period from 1 Jan 2016 to 30 Sep 2016	For the period from 1 Jan 2017 to 30 Sep 2017	For the period from 1 Jan 2016 to 30 Sep 2016
I.	Net revenue from sale of products, goods and materials	1 877 194	1 758 175	440 026	403 455
II.	Operating profit (loss)	31 607	42 142	7 409	9 670
III.	Profit (loss) before tax	30 405	42 122	7 127	9 666
IV.	Profit (loss) for the period	25 625	34 790	6 007	7 983
V.	Net cash flows from operating activities	35 243	11 680	8 261	2 680
VI.	Net cash flows from investing activities	(24 093)	(16 276)	(5 648)	(3 735)
VII.	Net cash flows from financing activities	(6 659)	(460)	(1 561)	(106)
VIII.	Total net cash flows	4 491	(5 056)	1 053	(1 160)
IX.	Total assets	1 054 315	1 062 813	244 672	240 238
X.	Liabilities and liability provisions	407 194	436 545	94 496	98 677
XI.	Non-current liabilities	16 517	20 034	3 833	4 528
XII.	Current liabilities	390 677	416 511	90 663	94 148
XIII.	Equity	647 121	626 268	150 175	141 561
XIV.	Share capital	12 342	12 342	2 864	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 936 301	12 109 799	11 936 301	12 109 799
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	3.47	3.79	0.81	0.87
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	3.47	3.79	0.81	0.87
XIX.	Book value per share* (in PLN/EUR)	54.21	51.82	12.58	11.71
XX.	Diluted book value per share** (in PLN/EUR)	54.21	51.82	12.58	11.71
XXI.	Declared or paid out 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 Q1-Q3 2017 (January-September): 11 936 301

- for Q1-Q3 2016 (January-September): 12 109 799

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

- 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 Q1-Q3 2017 was EURPLN 4.2661 and for Q1-Q3 2016: EURPLN 4.3578.
- 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 September 2017: EURPLN 4.3091; as at 31 December 2016: EURPLN 4.4240.

2. Condensed consolidated statement of financial position

Assets	30 Sep 2017	31 Dec 2016	30 Sep 2016
Non-current assets	620 584	609 180	619 308
Property, plant and equipment	396 467	386 866	395 121
Investment properties	120 639	123 441	124 362
Intangible assets	3 733	4 118	4 334
Goodwill	52 044	52 044	52 044
Financial assets	39	37	37
Non-current loans	178	263	25
Non-current receivables	8 350	5 532	4 886
Deferred income tax assets	19 601	18 053	19 587
Other non-current prepayments	19 533	18 826	18 912
Current assets	433 731	453 633	385 690
Inventories	209 554	217 962	212 531
Receivables	60 910	80 733	63 734
Income tax receivables	654	656	358
Prepayments	10 449	6 087	7 946
Cash and cash equivalents	150 923	146 432	98 739
Other financial assets	1 241	1 763	2 382
Total assets	1 054 315	1 062 813	1 004 998

Equity and liabilities	30 Sep 2017	31 Dec 2016	30 Sep 2016
Equity	647 121	626 268	615 207
Share capital	12 342	12 342	12 340
Share premium	419 964	419 964	419 884
Supplementary capital	99 905	99 905	97 558
Management options provision	-	-	2 381
Reserve capital	90 771	72 766	72 766
Own shares	(27 540)	(23 320)	(18 996)
Retained earnings	51 679	44 611	29 274
Total equity attributable to owners of the parent	647 121	626 268	615 207
Non-controlling interests	-	-	-
Total non-current liabilities	16 517	20 034	21 115
Credit facilities, loans and debt instruments	-	600	1 054
Non-current liabilities	1 879	3 472	4 170
Provisions	7 326	10 474	11 006
Deferred income tax provision	7 312	5 488	4 885
Total current liabilities	390 677	416 511	368 676
Credit facilities, loans and debt instruments	870	1 122	16 055
Current liabilities	363 006	388 725	323 349
Income tax liabilities	502	613	705
Provisions	20 445	18 734	19 536
Deferred revenue	5 854	7 317	9 031
Total equity and liabilities	1 054 315	1 062 813	1 004 998

	30 Sep 2017	31 Dec 2016	30 Sep 2016
Book value	647 121	626 268	615 207
Number of shares	12 342 027	12 342 027	12 340 049
Weighted average number of shares	11 936 301	12 086 113	12 109 799
Diluted number of shares	11 936 301	12 086 113	12 111 058
Book value per share (in PLN)	52.43	50.74	49.85
Book value per share (in PLN)*	54.21	51.82	50.80
Diluted book value per share (in PLN)**	54.21	51.82	50.80

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

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

3. Condensed consolidated statement of profit and loss and condensed consolidated statement of comprehensive income

	Three months ended 30 Sep 2017	Nine months ended 30 Sep 2017	Three months ended 30 Sep 2016	Nine months ended 30 Sep 2016
Revenue from sales	645 125	1 877 194	585 677	1 758 175
Cost of sales	(463 467)	(1 342 654)	(417 246)	(1 260 198)
Profit on sales	181 658	534 540	168 431	497 977
Other operating revenue	2 097	11 047	11 098	14 467
Selling costs	(157 649)	(457 999)	(144 048)	(422 327)
Administrative expenses	(17 362)	(48 504)	(13 105)	(41 465)
Other operating expenses	(2 103)	(7 477)	(2 557)	(6 510)
Operating profit	6 641	31 607	19 819	42 142
Finance income	107	919	165	698
Finance costs	(872)	(2 121)	(295)	(718)
Profit before tax	5 876	30 405	19 689	42 122
Income tax	(2 454)	(4 780)	(3 266)	(7 332)
- current	(1 302)	(4 373)	(1 197)	(4 522)
- deferred	(1 152)	(407)	(2 069)	(2 810)
Profit for the period	3 422	25 625	16 423	34 790
Profit for the period attributable to owners of the parent	3 422	25 625	16 423	34 790

Annualised profit	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Profit (loss) for the period (annualised), including:	41 386	45 889
Weighted average number of ordinary shares	11 936 301	12 109 799
Weighted average diluted number of ordinary shares	11 936 301	12 111 058
Profit (loss) per ordinary share, annualised (in PLN)*	3.47	3.79
Diluted profit (loss) per ordinary share, annualised (in PLN)**	3.47	3.79

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

** weighted average diluted number of ordinary shares:

- for Q1-Q3 2017: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled

- for Q1-Q3 2016 (January-September): 12 111 058, 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 Sep 2017	Nine months ended 30 Sep 2017	Three months ended 30 Sep 2016	Nine months ended 30 Sep 2016
Profit for the period	3 422	25 625	16 423	34 790
Other comprehensive income (not subject to reclassification to results):	2	2	-	-
- Exchange difference on translation of foreign entities	2	2	-	-
- Revaluation of employee benefit liabilities	-	-	-	-
- Income tax on components of other comprehensive income	-	-	-	-
Comprehensive income for the period	3 424	25 627	16 423	34 790
Comprehensive income attributable to shareholders of the parent	3 424	25 627	16 423	34 790

4. Condensed 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
Correction of fundamental errors	-	-	-	-	-	-	(554)	(554)
1 Jan 2017, adjusted	12 342	419 964	99 905	-	72 766	(23 320)	44 057	625 714
Comprehensive income for the nine months ended 30 September 2017	-	-	-	-	-	-	25 627	25 627
2016 profit distribution - transfer to equity	-	-	-	-	18 005	-	(18 005)	-
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(4 220)	-	(4 220)
Redemption of own shares	-	-	-	-	-	-	-	-
30 Sep 2017	12 342	419 964	99 905	-	90 771	(27 540)	51 679	647 121

	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 nine months ended 30 September 2016	-	-	-	-	-	-	34 790	34 790
2015 profit distribution - transfer to equity	-	-	-	-	25 442	-	(25 442)	-
Bond issuance - incentive scheme	5	203	-	(208)	-	-	-	-
Purchase of own shares	-	-	-	-	-	(14 489)	-	(14 489)
Redemption of own shares	(900)	(51 743)	-	-	(337)	52 980	-	-
30 Sep 2016	12 340	419 884	97 558	2 381	72 766	(18 996)	29 274	615 207

5. Condensed consolidated statement of cash flows

Operating activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Profit (loss) for the period	25 625	34 790
Adjusted by:	9 618	(23 110)
Depreciation / amortisation	37 818	36 551
(Profit) loss on exchange differences	(33)	82
Interest and shares of profit (dividends)	1 328	74
Income tax	4 781	7 332
Profit (loss) on investing activities	(3)	(5 685)
Change in provisions	(1 437)	(2 685)
Change in inventories	7 724	(13 495)
Change in receivables	2 440	2 601
Change in prepayments	(6 287)	(7 325)
Change in liabilities	(32 076)	(37 290)
Income tax paid	(4 467)	(3 270)
Other adjustments	(170)	
Net cash from operating activities	35 243	11 680
Investing activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Inflows	17 262	39 589
Disposal of property, plant and equipment and intangible assets	15 313	18 351
Disposal of financial assets	-	19 317
Interest received	53	93
Repayment of loans issued	1 896	1 828
Outflows	(41 355)	(55 865)
Purchase of property, plant and equipment and intangible assets	(40 216)	(47 071)
Purchase of financial assets	-	(7 994)
Borrowings granted	(1 125)	(800)
Other outflows	(14)	-
Net cash from investing activities	(24 093)	(16 276)

Financing activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Inflows	20 000	20 000
Proceeds from credit facilities and loans	20 000	20 000
Outflows	(26 659)	(20 460)
Repayment of borrowings	(20 000)	(5 000)
Payment of finance lease liabilities	(813)	(574)
Interest and fees paid	(1 626)	(398)
Purchase of own shares	(4 220)	(14 488)
Net cash from financing activities	(6 659)	(460)
Change in cash and cash equivalents	4 491	(5 056)
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	146 432	103 795
Cash and cash equivalents at the end of period	150 923	98 739

6. Additional information

6.1 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 properties. 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 September 2017, and the comparative financial data covers the period from 1 January 2016 to 30 September 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 September 2017, consolidation includes Emperia Holding S.A. and five subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Development S.A., Eldorado Spółka z o.o. and Infinite IT Solutions SRL. Changes in Emperia Group's structure in Q3 2017 are described in note 6.2.11 a).

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%
Infinite IT Solutions SRL	SOS. BUCARESTI - PLOIESTI NR. 9-13, ZONA I, ET. 5, SECTOR 1, 13693 BUCHAREST ROMANIA	IT operations	Court Trade Register Office in Bucharest, register no. J40/153324/05.09.2017.	Subsidiary	Full	05-09-2017	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.

6.2 Description of key accounting principles

6.2.1 Basis for preparing consolidated financial statements

The 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 these consolidated financial statements on the date on which they were signed.

6.2.2 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.

6.2.3 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. and Infinite IT Solutions SRL - IT services providers.

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.;

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 and net result.

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.

6.2.4 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).

Translation of the financial statements of foreign entities into PLN for consolidation purposes:

- Asset and equity and liability items - using the average exchange rate for the balance sheet date, published by the National Bank of Poland,
- Items in the statement of profit and loss, statement of comprehensive income and statement of cash flows - using exchange rate established as the arithmetic mean of exchange rates published by the National Bank of Poland on the last day of each month,

Exchange differences arising as a result of the above calculations are recognised in equity as exchange differences on translation of foreign entities.

Currency	Average exchange rate during the reporting period		Exchange rate at the end of the reporting period	
	30 Sep 2017	30 Sep 2017	Q1-Q3 2017	2016
RONPLN	0.9368	0.9368	0.9368	0.9749

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.

6.2.5 Discontinued operations

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

6.2.6 Accounting policy applied to these consolidated financial statements

The accounting policy applied in preparing these consolidated financial statements for the third quarter of 2017 is 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).

6.2.7 Changes in adopted accounting principles

The Group implements new IFRS standards and interpretations such as are applicable in the respective reporting periods. The Group specifies what changes were adopted in all consolidated financial statements, together with the effects they had on the consolidated financial statements and comparative data.

6.2.8 Application of standards and interpretations effective from 1 January 2017

The interim consolidated financial statements and interim separate financial statements for the third 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 September 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.

6.2.9 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).

6.2.10 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 Group corrects prior-period errors using the retrospective approach and retrospective restatement of data, as long as this is practicable.

6.2.11 Mergers, share purchases or disposals, capital increases

a) Formation of subsidiary Infinite IT Solutions SRL

On 5 September 2017, subsidiaries Eldorado Sp. z o.o. and Infinite Sp. z o.o. formed a subsidiary, Infinite IT Solutions SRL, in Romania. The company's share capital amounts to PLN 101 300 and is divided into 1 100 shares with a nominal value of PLN 92.12 each. Infinite Sp. z o.o. holds 1 089 shares, which constitutes 99% of share capital and entitles to 99% of general meeting votes, while Eldorado Sp. z o.o. holds 11 shares, which constitutes 1% of share capital and 1% of voting rights.

The newly-founded company provides a wide array of IT services on the Romanian market.

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. Notes to the financial statements

7.1 Summary of Emperia Group's achievements or set-backs

Changes in key items from the statement of profit and loss

Item	Q3 2017	Q3 2016	%
Revenue from sales	645 125	585 677	10.2%
Profit (loss) on sales	181 658	168 431	7.9%
EBITDA	19 374	32 203	-39.8%
Operating profit (loss)	6 641	19 819	-66.5%
Profit (loss) before tax	5 876	19 689	-70.2%
Profit for the period	3 422	16 423	-79.2%

Revenue from sales in Q3 2017 went up by 10.2% from the same period last year, to PLN 645 125 000. Third-quarter revenue was driven primarily by growth in the retail segment.
Net profit in Q3 2017 was PLN 3 422 000, down 79.2% from the previous year.

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

- In Q3 2017, no gross profit on property sales were recognised, while in Q3 2016 gross profit was PLN 8 447 000,
- Costs related to Emperia Holding SA's tax proceeding in the third quarter of 2017 amounted to PLN 563 000, compared to PLN 173 000 in Q3 2016.
- Costs related to a strategic options review in the third quarter of 2017 amounted to PLN 3 135 000.

Furthermore, costs related to the opening of new stores reached PLN 463 000 in Q3 2017, compared to PLN 395 000 in Q3 2016, while costs related to store closures reached PLN 444 000 in Q3 2017 vs none in Q3 2016.

Item	Q1-Q3 2017	Q1-Q3 2016	%
Revenue from sales	1 877 194	1 758 175	6.8%
Profit (loss) on sales	534 540	497 977	7.3%
EBITDA	69 425	78 693	-11.8%
Operating profit (loss)	31 607	42 142	-25.0%
Profit (loss) before tax	30 405	42 122	-27.8%
Profit for the period	25 625	34 790	-26.3%

Revenue from sales in Q1-Q3 2017 went up by 6.8% from the same period last year, to PLN 1 877 194 000. Revenue in the first three quarters of 2017 was driven primarily by growth in the retail segment.

Net profit in Q1-Q3 2017 was PLN 25 625 000, down 26.3% from the previous year.

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

- in the first three quarters of 2016, no gross profit on property disposals was recognised, compared to PLN 8 648 000 in Q1-Q3 2016,
- the retail segment reversed a PLN 1 394 000 provision for compensations in Q1-Q3 2017,
- in Q1-Q3 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,
- costs related to Emperia Holding SA's tax proceeding in the first three quarters of 2017 amounted to PLN 536 000, compared to PLN 468 000 in Q1-Q3 2016,
- costs related to a strategic options review in the first three quarters of 2017 amounted to PLN 3 135 000.

Moreover, costs related to new store openings amounted to PLN 1 063 000 in Q1-Q3 2017, compared to PLN 2 805 000 in Q1-Q3 2016, while costs related to store closures were PLN 692 000 in Q1-Q3 2017, versus PLN 41 000 in Q1-Q3 2016.

Changes in key balance sheet items

Item	Q1-Q3 2017	Q1-Q3 2016	%
Total assets	1 054 315	1 004 998	4.9%
Non-current assets	620 584	619 308	0.2%
Current assets	433 731	385 690	12.5%
Cash and cash equivalents	150 923	98 739	52.9%
Liabilities and liability provisions	407 194	389 791	4.5%
Total current liabilities	390 677	368 676	6.0%
Net assets	647 121	615 207	5.2%
Share capital (in PLN)	12 342 027	12 340 049	0.02%
Current-period earnings per share, annualised* (in PLN)	3.47	3.79	-8.4%

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

Operational performance and ability to meet liabilities

Item	Q1-Q3 2017	Q1-Q3 2016
Return on invested capital <i>(profit for the period / equity at the end of the period) in %</i>	3.96%	5.66%
Return on assets <i>(profit for the period / assets at the end of the period) in %</i>	2.43%	3.46%
Sales margin <i>(profit from sales for the period / revenue from sales for the period) in %</i>	28.48%	28.32%
EBITDA margin <i>(EBITDA / revenue from sales for the period) in %</i>	3.70%	4.48%
Operating margin <i>(operating profit for the period / revenue from sales for the period) in %</i>	1.68%	2.40%
Gross margin <i>(profit before tax for the period / revenue from sales for the period) in %</i>	1.62%	2.40%
Net margin <i>(profit for the period / revenue from sales for the period) in %</i>	1.37%	1.98%

Turnover cycles for key components of working capital

Item	Q1-Q3 2017	Q1-Q3 2016
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*90)</i>	43.1	46.7
Receivables turnover days <i>(current receivables / revenue from sales*182)</i>	8.8	9.9
Payables turnover days <i>([current liabilities - current borrowings] / value of goods for resale and materials sold*182)</i>	80.2	77.4
Asset productivity <i>(revenue from sales / total assets)</i>	1.8	1.8
Non-current asset productivity <i>(revenue from sales / non-current assets)</i>	3.0	2.8

In Q3 2017, inventory turnover decreased by 3.6 days, while receivables turnover decreased by 1.1 days and payables turnover extended by 2.8 days. In effect, cash conversion cycle was extended by 7.5 days. Asset productivity ratios did not change significantly.



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.).

	Q3 2017	Q3 2016	%
Segment revenue	635 199	574 298	10.60%
Profit on sales	178 466	164 150	8.72%
EBITDA	11 750	11 482	2.33%
Operating result	1 973	2 024	-2.52%
Gross profit	1 206	1 549	-22.14%
Net segment result	281	1 662	-83.09%

Revenue from sales in Q3 2017 went up by 10.6% from the same period last year, to PLN 635 199 000. Third-quarter revenue was driven by a substantial increase in revenue from existing and newly-opened stores. Net profit in Q3 2017 was PLN 281 000, down 83.1% from the previous year.

Furthermore, costs related to the opening of new stores reached PLN 463 000 in Q3 2017, compared to PLN 395 000 in Q3 2016, while costs related to store closures reached PLN 444 000 in Q3 2017 vs none in Q3 2016.

	Q1-Q3 2017	Q1-Q3 2016	%
Segment revenue	1 847 041	1 722 740	7.22%
Profit on sales	525 696	484 710	8.46%
EBITDA	42 756	34 063	25.52%
Operating result	13 710	6 334	116.45%
Gross profit	11 824	5 071	133.17%
Net segment result	11 908	4 143	187.42%

Revenue from sales in Q1-Q3 2017 went up by 7.2% from the same period last year, to PLN 1 847 041 000. The revenue generated in Q1-Q3 2017 was driven by a substantial increase in revenue from existing and newly-opened stores.

Net profit in Q1-Q3 2017 was PLN 11 908 000, up 187.4% from the previous year.

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

- the retail segment reversed a PLN 1 394 000 provision for compensations in Q1-Q3 2017,
- in Q1-Q3 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 amounted to PLN 1 063 000 in Q1-Q3 2017, compared to PLN 2 805 000 in Q1-Q3 2016, while costs related to store closures were PLN 692 000 in Q1-Q3 2017, versus PLN 41 000 in Q1-Q3 2016.

Stokrotka retail chain

	Q1-Q3 2017	Q1-Q3 2016
Number of stores at the beginning of period	386	327
- stores opened	44	39
- stores shut-down	9	8
Number of stores at the end of period, including:	407	358
- own supermarkets	252	248
- own markets	93	70
- Express markets	3	-
- franchise stores	59	40
Average total store surface - stores opened (in sqm)	379	466
Capex on own stores opened	15 641	21 171

In 2017, the segment continued to dynamically grow its retail chain. At the end of Q3 2017, the Stokrotka retail chain comprised 407 retail stores, vs. 358 at the end of Q3 2016.

In Q3 2017, a total of 23 stores were opened (including 13 franchise locations), and 2 were closed down. In Q3 2016, a total of 11 stores were opened (including 8 franchise locations), and 1 was closed down. In Q1-Q3 2017, a total of 44 stores were opened (including 18 franchise locations), and 9 were shut down. In Q1-Q3 2016, a total of 39 stores were opened (including 13 franchise locations), and 8 were shut down.

The Management Board expects the Stokrotka chain to expand by another 25 new stores by the end of 2017.

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

	Q1-Q3 2017	Q1-Q3 2016	%
Revenue from product sales	1 591,1	1 579,7	0.7%
Store operating costs	364,3	357,2	2.0%
<i>Operating costs as % of revenue</i>	22.9%	22,6%	-
EBITDA	89,6	86,9	3.1%
<i>% EBITDA</i>	5.6%	5.5%	-

Data - 287 Stokrotka stores operating at the end of 2015

Stokrotka headquarters

	Q1-Q3 2017	Q1-Q3 2016
<i>central management costs as % of revenue from sales</i>	2.2%	2.1%
<i>marketing costs as % of revenue from sales</i>	1.1%	1.1%

Cash conversion cycle in the retail segment

	Q3 2017	Q3 2016
Inventory turnover days <i>(inventory / value of goods and materials sold*272)</i>	41.5	47.7
Receivables turnover days <i>(trade receivables / revenue from sales*272)</i>	5.8	6.0
Payables turnover days <i>(trade payables / value of goods and materials sold*272)</i>	62.7	63.2
Cash conversion cycle <i>(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)</i>	-15.4	-9.5

The cash conversion cycle in the retail segment increased by 5.9 days in Q3 2017, resulting from a decrease in inventory turnover by 6.2 days and decrease in receivables turnover by 0.2 days as well as a decrease of payables turnover by 0.5 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 Spółka z ograniczoną odpowiedzialnością S.K.A., P3 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P5 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A. and Ekon Spółka z ograniczoną odpowiedzialnością.

	Q3 2017	Q3 2016	%
Segment revenue	16 777	17 515	-4.21%
EBITDA	9 881	19 046	-48.12%
Operating result	6 978	16 113	-56.69%
Gross profit	7 759	16 428	-52.77%
Tax	(1 511)	(3 109)	-51.40%
Net segment result	6 248	13 319	-53.09%

Property-segment revenue in the third quarter of 2017 went down by 4.2%, as compared with the same period last year, reaching PLN 16 777 000.

Net profit in Q3 2017 was PLN 6 248 000, down 53.1% from the previous year.

One-off events having material impact on the segment's results in both of the reporting periods included a disposal of two properties in Q3 2016. Gross result on property disposals in Q3 2016 was PLN 8 447 000.

Moreover, Elpro Development S.A. settled a tax loss in 2016 (last year) and received PLN 229 000 in income tax savings in Q3 2016.

	Q1-Q3 2017	Q1-Q3 2016	%
Segment revenue	51 270	52 500	-2.34%
EBITDA	29 866	39 344	-24.09%
Operating result	21 189	30 473	-30.47%
Gross profit	23 116	31 383	-26.34%
Tax	(5 181)	(5 481)	-5.47%
Net segment result	17 935	25 902	-30.76%

Property-segment revenue in Q1-Q3 2017 went down by 2.3%, as compared with the same period last year, reaching PLN 51 270 000.

The segment's net profit in Q1-Q3 2017 was PLN 17 935 000, down 30.8% from the previous year.

One-off events having material impact on the segment's results in both of the reporting periods included a disposal of three properties in Q1-Q3 2016. Gross result on property disposals was PLN 8 648 000.

Moreover, Elpro Development S.A. settled a tax loss in 2016 (last year) and received PLN 898 000 in income tax savings.

Key information about properties

	Q1-Q3 2017	Q1-Q3 2016
Number of properties at the end of period	90	88
including: properties in progress	9	5
operating properties	81	83
including: retail properties	76	78
including: retail - Stokrotka	66	67
retail - others	10	11
other properties	5	5
including: warehouses	4	4
offices	1	1
average monthly net operating income from leasable facilities*	3 424	3 590
including: retail properties	3 149	3 268
leasable area of retail facilities (sqm)	82 407	86 503
including: related tenants	53 367	55 316
other tenants	29 039	31 187
average lease rate (PLN per sqm)	42.8	42.4
including: related tenants	44.3	43.7
other tenants	40.2	40.0

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



IT segment

IT (IT segment), covering the operations of Infinite Sp. z o.o. and Infinite IT Solutions SRL - IT services providers.

	Q3 2017	Q3 2016	%
Segment revenue	8 033	8 933	-10.08%
EBITDA	1 213	2 189	-44.59%
Operating result	837	1 869	-55.22%
Gross profit	925	1 820	-49.18%
Net segment result	718	1 463	-50.92%

IT-segment revenue from sales in Q3 2017 went down by 10.1% from the same period last year, to PLN 8 033 000. Net profit in Q3 2017 was PLN 718 000, down 50.9% from the previous year.

	Q1-Q3 2017	Q1-Q3 2016	%
Segment revenue	25 004	28 793	-13.16%
EBITDA	2 141	7 110	-69.89%
Operating result	1 061	6 185	-82.85%
Gross profit	938	6 303	-85.12%
Net segment result	694	5 060	-86.28%

IT-segment revenue from sales in Q1-Q3 2017 went down by 13.2% from the same period last year, to PLN 25 004 000.

The segment's net profit in Q1-Q3 2017 was PLN 694 000, down 86.3% from the previous year.

	Q3 2017	Q3 2016	%
Revenue from sale of services	7 018	8 045	-12.77%
<i>including: external</i>	4 380	5 799	-24.47%
of which: foreign	663	570	16.32%
Revenue from sale of goods and materials	1 015	888	14.30%
<i>including: external</i>	107	85	25.88%
Total revenue	8 033	8 933	-10.08%
<i>including: external</i>	4 487	5 884	-23.74%

In Q3 2017, IT-segment revenue to external customers constituted 55.9% of total revenue from sales, while in Q3 2016 it accounted for 65.9%.

In Q3 2017, segment revenue from sale of services to external customers constituted 62.4% of total service revenue in the IT segment, while in Q3 2016 it accounted for 72.1%.

	Q1-Q3 2017	Q1-Q3 2016	%
Revenue from sale of services	20 995	24 638	-14.79%
<i>including: external</i>	13 997	17 947	-22.01%
of which: foreign	4 566	3 413	33.78%
Revenue from sale of goods and materials	4 009	4 156	-3.54%
<i>including: external</i>	379	833	-54.50%
Total revenue	25 004	28 794	-13.16%
<i>including: external</i>	14 376	18 780	-23.45%

In Q1-Q3 2017, segment revenue to external customers constituted 57.5% of total revenue from sales, while in Q1-Q3 2016 it accounted for 65.2% of total revenue.

In Q1-Q3 2017, segment revenue from sale of services to external customers constituted 66.7% of total revenue from sales, while in Q1-Q3 2016 it accounted for 72.8% of total revenue.

Central management segment

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

	Q3 2017	Q3 2016	%
Segment revenue	236	210	12,38%
EBITDA	(3 399)	(580)	-
Operating result	(3 486)	(673)	-
Gross profit	(4 353)	(594)	-
Net segment result	(4 138)	(511)	-

	Q1-Q3 2017	Q1-Q3 2016	%
Segment revenue	700	743	-5.79%
EBITDA	(5 210)	(2 115)	-
Operating result	(5 482)	(2 401)	-
Gross profit	(218)	4 523	-
Net segment result	409	4 931	-91.71%

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 for the first three quarters of 2017 amounted to PLN 6 384 000, compared with PLN 6 674 000 in Q1-Q3 2016.

Moreover:

- costs related to Emperia Holding SA's tax proceeding in the first three quarters of 2017 amounted to PLN 536 000, compared to PLN 468 000 in Q1-Q3 2016,
- costs related to a strategic options review in the first three quarters of 2017 amounted to PLN 3 135 000.

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) or equity. These changes did not necessitate restatement of the consolidated statement of cash flows.

Summary of changes introduced to comparative data:

- 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 60 300 000, 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 17 889 000, 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 1 995 000 in reimbursements was presented as adjustment of selling costs.

Restatement of the statement of comprehensive income for Q1-Q3 2016

		9 months ended 30 Jun 2016 (reported)	Presentation change	9 months ended 30 Sep 2016 (restated)
Revenue from sales	a)	1 818 475	(60 300)	1 758 175
Value of goods and materials sold	a)	(1 298 842)	60 300	(1 238 541)
Other operating revenue	c)	16 422	(1 955)	14 467
Selling costs	b, c)	(406 393)	(15 934)	(422 327)
Administrative expenses	b)	(59 355)	17 889	(41 465)

7.3 Revenue and profit by operating segment

In 2017, the Group operated through the following segments:

- 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. and Infinite IT Solutions SRL - IT services providers.
- 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.

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.

Emperia Group's operating segments in Q1-Q3 2017:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 847 041	51 270	700	25 004	46 821	1 877 194
External revenue	1 847 027	15 767	24	14 376	-	1 877 194
Inter-segment revenue	14	35 503	676	10 628	46 821	-
Total segment costs	(1 836 736)	(30 402)	(6 244)	(23 899)	(48 124)	(1 849 157)
Profit (loss) on sales	10 305	20 868	(5 544)	1 105	(1 303)	28 037
Result on other operating activities	3 405	321	62	(44)	174	3 570
Result on financing activities	(1 886)	1 927	5 264	(123)	6 384	(1 202)
Gross result	11 824	23 116	(218)	938	5 255	30 405
Tax	84	(5 181)	627	(244)	66	(4 780)
Net segment result	11 908	17 935	409	694	5 321	25 625

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	558 412	1 187 314	472 644	14 581	1 178 636	1 054 315
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(30 307)	(10 139)	-	(636)	(866)	(40 216)
Depreciation / amortisation	(29 046)	(8 677)	(272)	(1 080)	(1 257)	(37 818)

Emperia Group's operating segments in Q1-Q3 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 722 740	52 500	743	28 793	46 601	1 758 175
External revenue	1 722 732	16 673	(11)	18 780	-	1 758 175
Inter-segment revenue	8	35 827	754	10 013	46 602	-
Total segment costs	(1 715 956)	(30 395)	(3 291)	(22 604)	(48 256)	(1 723 990)
Profit (loss) on sales	6 784	22 105	(2 548)	6 189	(1 655)	34 185
Result on other operating activities	(450)	8 368	147	(4)	104	7 957
Result on financing activities	(1 263)	910	6 924	118	6 709	(20)
Gross result	5 071	31 383	4 523	6 303	5 158	42 122
Tax	(928)	(5 481)	408	(1 243)	88	(7 332)
Net segment result	4 143	25 902	4 931	5 060	5 246	34 790

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	515 840	1 251 079	470 932	18 268	1 251 122	1 004 997
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(44 900)	(1 536)	-	(842)	(207)	(47 071)
Depreciation / amortisation	(27 729)	(8 871)	(286)	(925)	(1 261)	(36 551)

7.4 Effects of changes in group structure

All changes in the Group's structure are presented in detail in points 6.1 and 6.2.11

7.5 Management's position regarding previously published forecasts for the year

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

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

Shareholders	Shares held, as at 30 September 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 September 2017	% of votes at general meeting at 30 September 2017
Altus TFI	1 859 074	15.06%	13.05%	1 644 493	13.32%	1 859 074	15.60%
Ipopema TFI	1 458 583	11.82%	-	1 458 583	11.82%	1 458 583	12.24%
AXA OFE	977 481	7.92%	-	977 481	7.92%	977 481	8.20%
Aviva OFE	834 991	6.77%	-	834 991	6.77%	834 991	7.01%
NN OFE	755 713	6.12%	-	755 713	6.12%	755 713	6.34%
MetLife OFE	635 101	5.15%	0.42%	632 417	5.12%	635 101	5.31%

As at 30 September 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.

7.7 Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares held, as at 30 September 2017	% in share capital 30.09.2017	% change	Shares as at 30 June 2017	% in share capital as at 30 June 2017
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 September 2017	% in share capital 30.09.2017	% change	Shares as at 30 June 2017	% in share capital as at 30 June 2017
Jarosław Wawerski	19 494	0.158%	-	19 494	0.158%

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

3. 8 August 2017 – the Head of the Tax Authority Chamber in Warsaw issued a decision upholding the decision issued by the Head of the Tax Control Office
4. 21 August 2017 – the Company lodged a complaint with the Voivodeship Administrative Court, with the intermediation of the Head of the Tax Authority Chamber, regarding the decision issued by the Head of the Tax Control Office
5. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office in Warsaw on acceptance until 20 August 2018 of a security for the payment of corporate income tax for 2011 in the form of four bank guarantees (PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A., Bank Pekao S.A.) up to a maximum amount of PLN 198.1 million
6. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office on suspension of a decision issued by the head of a tax administration chamber until 20 August 2018
7. Expected deadline for the case to be examined by the Voivodeship Administrative Court: end of Q2 2018

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.

7.9 Significant related-party transactions

At the date on which these financial statements were prepared, Emperia Holding S.A. did not have any unconsolidated related parties.

All inter-group capital transactions in Q3 2017 are presented in point 6.2.11.

7.10 Credit facilities, loans, sureties and guarantees

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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 the 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 issue 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 PKO 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.

On 5 September 2017, Emperia Holding S.A. received information on delivery to the tax firm representing it in the case of a ruling by the Head of the 2nd Mazowieckie Tax Office in Warsaw on acceptance of collateral until 20 August 2018 for receivables in the form of four bank guarantees for a total of PLN 198.1 million

Information concerning guarantees may be found in note 7.15.7.

7.11 Other information essential for assessing the HR, asset or financial situation, financial result and change thereto, as well as information essential for assessing the Issuer's ability to satisfy its liabilities

No such information was known to Emperia Group at the end of the reporting period.

7.12 Extraordinary factors and events having an impact on annual financial performance

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

	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016
Proceeds from disposal of properties	-	14 200	-	14 530
Costs of disposal of properties	-	(15 185)	-	(15 467)
Reversal of consolidation adjustments	-	9 432	-	9 585
Gross profit	-	8 447	-	8 648
Current tax	-	-	-	(9)
Deferred tax	-	(2 073)	-	(2 103)
Net result	-	6 374	-	6 536

Three properties were sold during the first three quarters of 2016.

Other one-off events and their impact on the results of the reporting and comparative period are described in note 7.1.

7.13 Factors having potential impact on results over at least the next quarter

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
- 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) Internal cost control policy,
- c) Improvement in retail efficiency, particularly: productivity and costs, logistics and product losses, price policy, loyalty programmes,
- d) Growth dynamic of the Stokrotka retail chain
- e) Strategic options review

7.14 Changes in composition of 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 o.o.



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, Stokrotka Sp. z o.o.

In Q3 2017, the composition of the Management Board of Emperia Holding S.A. did not change.

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

Artur Laskowski – Member

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

Michał Kowalczewski – Independent Member

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

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

Aleksander Widera – Member

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

The composition of Emperia Holding S.A.'s Supervisory Board did not change during Q3 2017.

7.15 Other significant information and events

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

A description of the Group's main accounting principles applied since 1 January 2005 may be found in point 6.2 of these consolidated financial statements.

7.15.2 Production seasonality and cyclicity

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

7.15.3 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

The event is described in point 7.12.

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

Employee benefit provisions	Change in Q1-Q3 2017	Change in 2016
Non-current		
As at the beginning of period	1 454	994
<i>Increases / decreases during the period</i>	-	460
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	1 454	1 454
Current		
As at the beginning of period	10 550	9 412
<i>Increases / decreases during the period</i>	1 015	1 138
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	11 565	10 550
Other provisions		
Non-current		
As at the beginning of period	9 020	13 606
<i>Increases / decreases during the period</i>	(3 148)	(4 586)
<i>Increases / decreases during the period as a result of acquisitions</i>	-	-
As at the end of period	5 872	9 020
Current		
As at the beginning of period	8 184	9 214
<i>Increases / decreases during the period</i>	696	(1 030)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	8 880	8 184

7.15.5 Issue, redemption and repayment of debt and equity securities

No such changes took place at Emperia Group in Q3 2017.

7.15.6 Paid and received dividends

In 2017, Emperia Holding S.A. did not pay out a dividend as part of allocating its 2016 profit.

7.15.7 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:

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 September 2017):

Changes in off-balance sheet liabilities in Q1-Q3 2017	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	30 000	-	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	(30 000)	-	-
As at the end of period	-	-	-
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	-	15 000	-
Guarantees			
As at the beginning of period	-	25 000	9 325
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	(6 350)
As at the end of period	-	25 000	2 975
Changes in off-balance sheet liabilities during 2016			
Mortgages			
As at the beginning of period	-	-	-
<i>Increases during the period</i>	30 000	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	30 000	-	-
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	-	15 000	-

Guarantees

As at the beginning of period	-	47 500	9 646
<i>Increases during the period</i>	-	-	6 850
<i>Decreases during the period</i>	-	(22 500)	(7 171)
As at the end of period	-	25 000	9 325

7.15.8 Impairment of property, plant and equipment, intangible assets, inventory 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 Q1-Q3 2017	Change in 2016
Impairment of property, plant and equipment		
As at the beginning of period	(7 859)	(7 886)
<i>Recognition</i>	(113)	(274)
<i>Reversal</i>	752	301
<i>Changes as a result of acquisitions / disposals</i>	-	-
As at the end of period	7 220	(7 859)

Impairment of receivables

As at the beginning of period	(9 065)	(10 742)
<i>Recognition</i>	(655)	(1 552)
<i>Reversal</i>	1 792	1 458
<i>Changes as a result of acquisitions / disposals</i>	-	-
<i>Derecognised from statement of profit and loss*</i>	512	1 771
As at the end of period	7 416	(9 065)

Impairment of inventories

As at the beginning of period	(19 015)	(19 784)
<i>Recognition</i>	(21 575)	(18 935)
<i>Reversal</i>	10 977	19 704
<i>Change as result of acquisitions / disposals</i>	-	-
As at the end of period	(29 613)	(19 015)

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

7.15.9 Recognition / reversal of cost restructuring provisions

Did not occur during the reporting period or comparative period.

7.15.10 Deferred income tax

Deferred income tax assets	Change in Q1-Q3 2017	Change in 2016
As at the beginning of period	18 053	22 009
<i>Increase</i>	3 029	2 552
<i>Decrease</i>	(1 481)	(6 508)
As at the end of period	19 601	18 053

Deferred income tax provision	Change in Q1-Q3 2017	Change in 2016
As at the beginning of period	5 488	4 497
<i>Recognition</i>	1 945	2 662
<i>Reversal</i>	(121)	(1 671)
As at the end of period	7 312	5 488

7.15.11 Financial and operating leasing

a) Finance lease liabilities

Finance lease liabilities	30 Sep 2017	
	Minimum payments	Present value of minimum payments
<i>Within 1 year</i>	903	870
<i>Within 1 to 5 years</i>	-	-
<i>Within more than 5 years</i>	-	-
Total	903	870

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

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

Q1-Q3 2017	Term of agreement	As at 30 Sep 2017	As at 30 Sep 2018	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	specified	75 131	103 348	413 260	514 912
	unspecified	1 906	2 538	10 154	12 692
Technical equipment and machinery	specified	93	1	1	-
	unspecified	85	131	524	655
Means of transport	specified	6 160	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.

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

Did not take place in Q3 2017.

7.15.13 Correction of prior-period errors

Did not take place in Q3 2017.

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

Did not take place in Q3 2017.

7.16 Charitable work at Emperia Group

Charitable activity plays a significant role in our Group's policy, as evidenced by a number of programmes focused on helping those in need. We try to make our employees aware of the need to help others and we encourage them to get involved.



Stokrotka Helps

Stokrotka Helps is an employee volunteering programme. 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.



Food and school supply collection drives

Every year, Stokrotka works with the Polish Red Cross, Caritas Polska and the Food Bank. Around Easter and Christmas, we organise food collections drives for poor families at our stores. During Christmas, we also take part in the campaign Help Children Survive Winter. We promote these food drives in our advertising publications and we encourage our employees to actively participate in them. Around September, we work with the Polish Red Cross and Food Banks to collect school supplies at select stores for children from poor families. Each client visiting a Stokrotka store can participate in the campaign and help those in need.



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 410 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



Stokrotka has joined a breast cancer prevention campaign, Mammobuses, mobile breast cancer buses that offer speciality 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.



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.



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.

7.17 Other significant events during 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 7.8.

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.

7.18 Significant events after the end of the reporting period

a) Notification on a decrease in votes at Emperia Holding S.A.'s general meeting held by a shareholder

On 16 October 2016, the Management Board of Emperia Holding S.A. received notification from MetLife PTE S.A. that a fund under its management, MetLife OFE, had decreased its stake in Emperia Holding S.A. voting rights to under 5%.

The decrease in stake to less than 5% took place following a sale of the Company's shares on 12 October 2017. Directly prior to the change in stake, the fund held 635 101 shares, which constituted 5.15% of the Company's share capital and entitled to 635 101 votes at the Company's General Meeting, i.e. 5.15% of total voting rights. Currently, the fund holds 578 101 shares, which constitutes 4.68% of the Company's share capital and entitled to 578 101 votes at the Company's General Meeting, i.e. 4.68% of total voting rights.

b) Commencement of negotiations with potential investor

On 6 November 2017, the Management Board of Emperia Holding S.A. decided to start negotiations with Maxima Grupè UAB ("Investor") as a potential investor to support the Company's development. The start of negotiations with the Investor follows a process to find an investor to support the Company's dynamic development, which started on 9 May 2017, as communicated by the Company's Management Board via current reports. The Company's Management Board emphasises that no final decisions have yet been made in the process of searching for a strategic investor to support the Company's growth and that the start of the aforementioned negotiations does not mean that this will lead to final terms of cooperation being established. According to the Management Board, the negotiations should come to an end in the fourth quarter of 2017.

c) Legal victory at Supreme Administrative Court regarding claims from State Fund for the Rehabilitation of the Disabled

On 8 November 2017, the Supreme Administrative Court issued a ruling concerning Stokrotka Sp. z o.o. in connection with decisions made by the Ministry of Labour and Social Policy (currently the Ministry of Labour, Family and Social Policy), ordering the company to refund to the State Fund for the Rehabilitation of the Disabled (PFRON) financing provided for disable employees' wages for the period December 2012 - May 2013 and withdrawal of financing from the Ministry of Labour and Social Policy for the period May - August 2014.

As a result of cassation appeals from Stokrotka Sp. z o.o. directed to the Supreme Administrative Court, rulings by the Voivodship Administrative Court in Warsaw all of the above cases were cancelled, decisions by the Ministry of Labour and Social Policy were cancelled and decisions by the President of the State Fund for the Rehabilitation of the Disabled were also cancelled.

Given the above, Stokrotka expects to receive back-payments of PFRON funding of PLN 2 246 000.

8. Issuer's condensed separate financial statements

8.1 Selected separate financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2017 to 30 Sep 2017	For the period from 1 Jan 2016 to 30 Sep 2016	For the period from 1 Jan 2017 to 30 Sep 2017	For the period from 1 Jan 2016 to 30 Sep 2016
I.	Net revenue from sale of products, goods and materials	10 747	11 834	2 519	2 716
II.	Operating profit (loss)	1 006	3 428	236	787
III.	Profit (loss) before tax	6 287	18 576	1 474	4 263
IV.	Profit (loss) for the period	5 685	17 784	1 333	4 081
V.	Net cash flows from operating activities	(382)	3 589	(90)	824
VI.	Net cash flows from investing activities	7 190	16 019	1 685	3 676
VII.	Net cash flows from financing activities	28 998	-	6 797	-
VIII.	Total net cash flows	35 806	19 608	8 393	4 500
IX.	Total assets	526 322	491 531	122 142	111 106
X.	Liabilities and liability provisions	53 179	24 072	12 341	5 441
XI.	Total non-current liabilities	974	816	226	184
XII.	Total current liabilities	52 205	23 256	12 115	5 257
XIII.	Equity	473 143	467 459	109 801	105 664
XIV.	Share capital	12 342	12 342	2 864	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 936 301	12 109 799	11 936 301	12 109 799
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	0.50	1.59	0.12	0.36
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	0.50	1.59	0.12	0.36
XIX.	Book value per share* (in PLN/EUR)	39.64	38.68	9.20	8.74
XX.	Diluted book value per share** (in PLN/EUR)	39.64	38.68	9.20	8.74
XXI.	Declared or paid out 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 Q1-Q3 2017 (January-September): 11 936 301

- for Q1-Q3 2016 (January-September): 12 109 799

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 Q1-Q3 2017 was EURPLN 4.2661 and for Q1-Q3 2016: EURPLN 4.3578.
- 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 September 2017: EURPLN 4.3091; as at 31 December 2016: EURPLN 4.4240.

8.2 Condensed separate statement of financial position

	30 Sep 2017	31 Dec 2016
Total non-current assets	481 422	483 182
Property, plant and equipment	151	662
Investment properties	53 823	54 916
Intangible assets	907	1 156
Financial assets	426 286	426 286
Deferred income tax assets	94	159
Other non-current prepayments	161	3
Total current assets	44 900	8 349
Current receivables	2 837	2 953
Current prepayments	967	106
Cash and cash equivalents	41 096	5 290
Total assets	526 322	491 531
Total equity	473 143	467 459
Share capital	12 342	12 342
Share premium	411 670	411 670
Reserve capital	43 446	25 442
Retained earnings	5 685	18 005
Total non-current liabilities	974	816
Non-current liabilities	113	112
Provisions	49	49
Deferred income tax provision	812	655
Total current liabilities	52 205	23 256
Credit facilities, loans, debt instruments and other current financial liabilities	49 672	19 959
Current liabilities	1 041	1 356
Income tax liabilities	52	63
Provisions	224	611
Deferred revenue	1 216	1 267
Total equity and liabilities	526 322	491 531
Book value	473 143	467 459
Weighted average number of shares	11 936 301	12 086 113
Book value per share (in PLN)*	39.64	38.68
Diluted book value per share (in PLN)**	39.64	38.68

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

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

8.3 Condensed separate statement of profit and loss and condensed separate statement of comprehensive income

	Three months ended 30 Sep 2017	Nine months ended 30 Sep 2017	Three months ended 30 Sep 2016	Nine months ended 30 Sep 2016
Revenue from sales	3 239	10 747	3 866	11 834
Cost of sales	(1 303)	(4 846)	(1 768)	(5 336)
Profit on sales	1 936	5 901	2 098	6 498
Other operating revenue	210	1 267	57	190
Selling costs	-	-	-	-
Administrative expenses	(3 622)	(5 993)	(1 032)	(3 244)
Other operating expenses	(131)	(169)	(5)	(16)
Operating profit	(1 607)	1 006	1 118	3 428
Finance income	13	6 477	122	15 149
Finance costs	(879)	(1 196)	(1)	(1)
Profit before tax	(2 473)	6 287	1 239	18 576
Income tax	(143)	(602)	(260)	(792)
- current	(90)	(380)	(225)	(778)
- deferred	(53)	(222)	(35)	(14)
Profit (loss) for the period	(2 616)	5 685	979	17 784
Profit (loss) for the period attributable to owners of the parent	(2 616)	5 685	979	17 784

	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Profit (loss) for the period (annualised)	5 915	19 269
Weighted average number of ordinary shares	11 936 301	12 109 799
Weighted average diluted number of ordinary shares	11 936 301	12 111 058
Profit (loss) per ordinary share, annualised (in PLN)*	0.50	1.59
Diluted profit (loss) per ordinary share, annualised (in PLN)**	0.50	1.59

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

** weighted average diluted number of ordinary shares:

- for Q1-Q3 2017: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled

- for Q1-Q3 2016 (January-September): 12 111 058, 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 Sep 2017	Nine months ended 30 Sep 2017	Three months ended 30 Sep 2016	Nine months ended 30 Sep 2016
Profit for the period	(2 616)	5 685	979	17 784
Other comprehensive income	-	-	-	-
Comprehensive income for the period	(2 616)	5 685	979	17 784

8.4 Condensed separate statement of changes in equity

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
1 Jan 2017	12 342	411 670	-	25 442	18 005	-	467 459
Comprehensive income for the nine months ended 30 September 2017	-	-	-	-	5 685	-	5 685
Prior-year profit distribution - transfer to equity	-	-	-	18 005	(18 005)	-	-
30 Sep 2017	12 342	411 670	-	43 446	5 685	-	473 143

	Share capital	Share premium	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2016	13 235	465 315	723	337	(55 646)	25 442	449 406
Comprehensive income for the nine months ended 30 September 2016	-	-	-	-	-	17 784	17 784
Prior-year profit distribution - transfer to equity	-	-	-	25 442	-	(25 442)	-
Share issuance - incentive scheme	5	203	(208)	-	-	-	-
Redemption of own shares	(900)	(54 409)	-	(337)	55 646	-	-
30 Sep 2016	12 340	411 109	516	25 442	-	17 784	467 191

8.5 Condensed separate statement of cash flows

Operating activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Profit (loss) for the period	5 685	17 784
Adjusted by:	(6 067)	(14 195)
Depreciation / amortisation	1 412	1 250
Interest and shares of profit (dividends)	(5 669)	(15 025)
Income tax	602	791
Profit (loss) on investing activities	(377)	(117)
Change in provisions	(387)	(32)
Change in receivables	117	477
Change in prepayments	(1 071)	(34)
Change in liabilities	(303)	(896)
Income tax paid	(391)	(609)
Net cash from operating activities	(382)	3 589

Investing activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Inflows	7 389	99 212
Disposal of property, plant and equipment and intangible assets	1 005	1 221
Dividends received	6 384	14 674
Disposal of financial assets	-	83 317
Outflows	(199)	(83 193)
Purchase of property, plant and equipment and intangible assets	(199)	(871)
Purchase of subsidiaries and associates	-	(504)
Purchase of financial assets	-	(81 818)
Net cash from investing activities	7 190	16 019

Financing activities	Nine months ended 30 Sep 2017	Nine months ended 30 Sep 2016
Inflows	174 004	-
Issue of short-term debt instruments	174 004	-
Outflows	(145 007)	-
Buy-back of short-term debt instruments	(145 000)	-
Interest and fees paid	(7)	-
Net cash from financing activities	28 998	-
Change in cash and cash equivalents	35 806	19 608
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	5 290	10 571
Cash and cash equivalents at the end of period	41 096	30 179

8.6 Accounting principles adopted in preparing Emperia Holding S.A.'s condensed financial statements

The accounting principles adopted in preparing the above condensed separate financial statements are the same as those used in preparing Emperia Group's consolidated financial statements. Details are presented in point 6.2.

