# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE THIRD QUARTER OF 2014

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

LUBLIN, NOVEMBER 2014

**TRANSLATORS' EXPLANATORY NOTE**
The following document is a free translation of Financial Statements of Emperia Holding S.A.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

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(amounts in PLN 000s, unless otherwise stated)

# 1. Selected financial data

| Item | SELECTED FINANCIAL DATA (current year) | PLN | | EUR | |
|---|---|---|---|---|---|
| | | For the period from 1 Jan 2014 to 30 Sep 2014 | For the period from 1 Jan 2013 to 30 Sep 2013 | For the period from 1 Jan 2014 to 30 Sep 2014 | For the period from 1 Jan 2013 to 30 Sep 2013 |
| I. | Net revenue from sale of products, goods and materials | 1 466 010 | 1 455 776 | 350 695 | 344 717 |
| II. | Operating profit (loss) | 24 616 | 12 830 | 5 889 | 3 038 |
| III. | Profit (loss) before tax | 25 542 | 16 752 | 6 110 | 3 967 |
| IV. | Profit (loss) for the period | 17 474 | 13 601 | 4 180 | 3 221 |
| V. | Net cash flows from operating activities | (2 043) | 46 311 | (489) | 10 966 |
| VI. | Net cash flows from investing activities | (77 477) | (19 671) | (18 534) | (4 658) |
| VII. | Net cash flows from financing activities | (48 700) | (45 445) | (11 650) | (10 761) |
| VIII. | Total net cash flows | (128 220) | (18 805) | (30 672) | (4 453) |
| IX. | Total assets | 936 620 | 1 063 964 | 224 313 | 256 550 |
| X. | Liabilities and liability provisions | 321 733 | 417 260 | 77 053 | 100 612 |
| XI. | Non-current liabilities | 28 660 | 38 245 | 6 864 | 9 222 |
| XII. | Current liabilities | 293 073 | 379 015 | 70 189 | 91 391 |
| XIII. | Equity | 614 887 | 646 704 | 147 261 | 155 938 |
| XIV. | Share capital | 15 180 | 15 115 | 3 635 | 3 645 |
| XV. | Number of shares | 15 179 589 | 15 115 161 | 15 179 589 | 15 115 161 |
| XVI. | Weighted average number of shares | 13 620 284 | 14 344 172 | 13 620 284 | 14 344 172 |
| XVII. | Profit (loss) per ordinary share, annualised* (in PLN/EUR) | 1.30 | 1.83 | 0.31 | 0.43 |
| XVIII. | Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR) | 1.29 | 1.81 | 0.31 | 0.43 |
| XIX. | Book value per share* (in PLN/EUR) | 45.14 | 45.43 | 10.81 | 10.95 |
| XX. | Diluted book value per share** (in PLN/EUR) | 44.98 | 45.10 | 10.77 | 10.87 |
| XXI. | Declared or paid out dividend per share (in PLN/EUR) | 0.90 | 0.93 | 0.22 | 0.21 |

* 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 Q3 2014 (January-September): 13 620 284;
- for Q3 2013 (January- September): 14 344 172;

**Selected financial data were translated into EUR in the following manner:**

1 Items in the statement of profit and loss and statement of cash flows were 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 Q3 2014 was EURPLN 4.1803 and for Q3 2013: EURPLN 4.2231.

2 Balance sheet items and book value / diluted book value were 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 2014: EURPLN 4.1755; as at 31 December 2013: EURPLN 4.1472.

3 Declared dividend was translated using the average exchange rate published by the National Bank of Poland as at the date of drawing up the financial statements, i.e. as at 30 June 2014 - EURPLN 4.1609, while dividend paid out - using the rate on the dividend payment date, i.e. 26 June 2013: EURPLN 4.3348.

(amounts in PLN 000s, unless otherwise stated)

## 2. Condensed consolidated statement of financial position

| | 30 Sep 2014 | 30 Jun 2014 | 31 Dec 2013 | 30 Sep 2013 |
|---|---|---|---|---|
| **Non-current assets** | **594 491** | **583 230** | **586 548** | **583 748** |
| Property, plant and equipment | 509 630 | 496 868 | 497 890 | 496 386 |
| Investment properties | - | - | - | - |
| Intangible assets | 3 664 | 3 988 | 5 766 | 6 007 |
| Goodwill | 52 044 | 52 044 | 52 044 | 49 186 |
| Financial assets | 92 | 92 | 92 | 92 |
| Non-current loans | - | - | - | - |
| Non-current receivables | 4 820 | 4 822 | 4 833 | 4 614 |
| Deferred income tax assets | 19 732 | 20 525 | 20 053 | 21 108 |
| Other non-current prepayments | 4 509 | 4 891 | 5 870 | 6 355 |
| Non-current assets classified as held-for-sale | - | - | - | - |
| **Current assets** | **342 129** | **377 548** | **477 416** | **370 211** |
| Inventory | 175 698 | 179 560 | 168 660 | 124 609 |
| Receivables | 58 465 | 63 868 | 105 286 | 42 223 |
| Income tax receivables | - | 1 087 | 993 | 740 |
| Short-term securities | 35 252 | - | - | - |
| Prepayments | 5 781 | 8 259 | 4 292 | 6 131 |
| Cash and cash equivalents | 66 933 | 124 774 | 195 153 | 196 488 |
| Other financial assets | - | - | - | - |
| Assets classified as held for sale | - | - | 3 032 | 20 |
| **Total assets** | **936 620** | **960 778** | **1 063 964** | **953 959** |
| **Equity** | **614 887** | **623 832** | **646 704** | **656 330** |
| Share capital | 15 180 | 15 115 | 15 115 | 15 115 |
| Share premium | 551 988 | 549 559 | 549 559 | 549 559 |
| Supplementary capital | 100 084 | 100 084 | 100 084 | 100 084 |
| Management options provision | 4 115 | 5 010 | 5 010 | 5 010 |
| Reserve capital | 110 593 | 110 593 | 110 525 | 110 525 |
| Own shares | (143 956) | (133 292) | (106 616) | (96 792) |
| Retained earnings | (23 117) | (23 237) | (26 973) | (27 171) |
| **Total equity attributable to owners of the parent** | **614 887** | **623 832** | **646 704** | **656 330** |
| Non-controlling interests | - | - | - | - |
| **Non-current liabilities** | **28 660** | **30 450** | **38 245** | **40 541** |
| Credit facilities, loans and debt instruments | 2 922 | 3 154 | 3 455 | 3 818 |
| Non-current liabilities | 910 | 1 139 | 970 | 960 |
| Provisions | 21 839 | 23 365 | 31 591 | 33 599 |
| Deferred income tax provision | 2 989 | 2 792 | 2 229 | 2 164 |
| **Current liabilities** | **293 073** | **306 496** | **379 015** | **257 088** |
| Credit facilities, loans and debt instruments | 897 | 877 | 804 | 819 |
| Current liabilities | 266 348 | 276 910 | 350 462 | 236 402 |
| Income tax liabilities | 2 548 | 1 926 | 2 119 | 1 344 |
| Provisions | 17 163 | 20 201 | 19 050 | 16 040 |
| Deferred revenue | 6 117 | 6 582 | 6 580 | 2 483 |
| **Total equity and liabilities** | **936 620** | **960 778** | **1 063 964** | **953 959** |

(amounts in PLN 000s, unless otherwise stated)

| | 30 Sep 2014 | 30 Jun 2014 | 31 Dec 2013 | 30 Sep 2013 |
|---|---|---|---|---|
| Book value | 614 887 | 623 832 | 646 704 | 656 330 |
| Number of shares | 15 179 589 | 15 115 161 | 15 115 161 | 15 115 161 |
| Diluted number of shares | 13 669 412 | 13 752 601 | 14 338 927 | 14 445 608 |
| Book value per share (in PLN)* | 45.14 | 45.67 | 45.43 | 45.76 |
| Diluted book value per share (in PLN)** | 44.98 | 45.36 | 45.10 | 45.43 |

* 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 2014 | Nine months ended 30 Sep 2014 | Three months ended 30 Sep 2013 | Nine months ended 30 Sep 2013 |
|---|---|---|---|---|
| Revenue from sales | 484 207 | 1 466 010 | 473 018 | 1 455 776 |
| Cost of sales | (349 338) | (1 048 776) | (356 732) | (1 099 277) |
| **Profit on sales** | **134 869** | **417 234** | **116 286** | **356 499** |
| Other operating revenue | 1 414 | 4 312 | 102 | 6 228 |
| Selling costs | (114 518) | (336 735) | (104 619) | (290 606) |
| Administrative expenses | (17 357) | (53 997) | (19 715) | (53 290) |
| Other operating expenses | (1 385) | (6 198) | (3 166) | (6 001) |
| **Operating profit** | **3 023** | **24 616** | **(11 112)** | **12 830** |
| Finance income | 519 | 1 973 | 1 006 | 4 332 |
| Finance costs | (155) | (1 047) | (223) | (410) |
| **Profit before tax** | **3 387** | **25 542** | **(10 329)** | **16 752** |
| Income tax | (3 268) | (8 068) | (665) | (3 151) |
| - current | (1 946) | (5 991) | (141) | (2 939) |
| - deferred | (1 322) | (2 077) | (524) | (212) |
| **Profit for the period** | **119** | **17 474** | **(10 994)** | **13 601** |
| Profit for the period attributable to owners of the parent | 119 | 17 474 | (10 994) | 13 601 |
| Profit for the period attributable to non-controlling interests | - | - | - | - |

| | | |
|---|---|---|
| Profit (loss) for the period (annualised), including: | 17 672 | 26 212 |
| Weighted average number of ordinary shares | 13 620 284 | 14 344 172 |
| Weighted average diluted number of ordinary shares* | 13 669 412 | 14 445 608 |
| Profit (loss) per ordinary share, annualised (in PLN) | 1.30 | 1.83 |
| Diluted profit (loss) per ordinary share, annualised* (in PLN) | 1.29 | 1.81 |

* Weighted average diluted number of ordinary shares:

- for Q1-Q3 2014 (January-September): 13 669 412, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.
- for Q1-Q3 2013 (January-September): 14 445 608, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

(amounts in PLN 000s, unless otherwise stated)

| Statement of comprehensive income | Three months ended 30 Sep 2014 | Nine months ended 30 Sep 2014 | Three months ended 30 Sep 2013 | Nine months ended 30 Sep 2013 |
|---|---|---|---|---|
| Profit for the period | 119 | 17 474 | (10 994) | 13 601 |
| Other comprehensive income | - | - | - | - |
| **Comprehensive income for the period** | **119** | **17 474** | **(10 994)** | **13 601** |
| Comprehensive income attributable to shareholders of the parent | 119 | 17 474 | (10 994) | 13 601 |
| Comprehensive income attributable to non-controlling interests | - | - | - | - |

(amounts in PLN 000s, unless otherwise stated)

# 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 July 2014** | **15 115** | **549 559** | **100 084** | **5 010** | **110 593** | **(133 292)** | **(23 237)** | **623 832** |
| Correction of fundamental errors 2013 | - | - | - | - | - | - | - | - |
| **1 July 2014, adjusted** | **15 115** | **549 559** | **100 084** | **5 010** | **110 593** | **(133 292)** | **(23 237)** | **623 832** |
| **Comprehensive income for the three months ended 30 September 2014** | - | - | - | - | - | - | 119 | 119 |
| Prior-period results of companies entered into consolidation | - | - | - | - | - | - | - | - |
| 2013 profit distribution - transfer to equity | - | - | - | - | - | - | - | - |
| Bond issuance - incentive scheme | - | - | | 1 599 | - | | - | 1 599 |
| Share issuance - incentive scheme | 65 | 2 429 | - | (2 494) | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | (10 664) | - | (10 664) |
| Redemption of own shares | - | - | - | - | - | - | - | - |
| Dividend from 2013 profit | - | - | - | - | - | - | - | - |
| **30 September 2014** | **15 180** | **551 988** | **100 084** | **4 115** | **110 593** | **(143 956)** | **(23 117)** | **614 887** |

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2014** | **15 115** | **549 559** | **100 084** | **5 010** | **110 525** | **(106 616)** | **(26 973)** | **646 704** |
| Correction of fundamental errors 2013 | - | - | - | - | - | - | (1 442) | (1 442) |
| **1 January 2014, adjusted** | **15 115** | **549 559** | **100 084** | **5 010** | **110 525** | **(106 616)** | **(28 415)** | **645 262** |
| **Comprehensive income for the nine months ended 30 September 2014** | - | - | - | - | - | - | 17 474 | 17 474 |
| Prior-period results of companies entered into consolidation | - | - | - | - | - | - | - | - |
| 2013 profit distribution - transfer to equity | - | - | - | - | 68 | - | (68) | - |
| Bond issuance - incentive scheme | - | - | - | 1 599 | - | - | - | 1 599 |
| Share issuance - incentive scheme | 65 | 2 429 | - | (2 494) | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | (37 340) | - | (37 340) |
| Redemption of own shares | - | - | - | - | - | - | - | - |
| Dividend from 2013 profit | - | - | - | - | - | - | (12 109) | (12 109) |
| **30 September 2014** | **15 180** | **551 988** | **100 084** | **4 115** | **110 593** | **(143 956)** | **(23 117)** | **614 887** |

(amounts in PLN 000s, unless otherwise stated)

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 July 2013** | **15 115** | **549 559** | **100 084** | **5 031** | **110 525** | **(79 119)** | **(16 198)** | **684 997** |
| Correction of fundamental errors 2012 | - | - | - | - | - | - | - | - |
| **1 July 2013, adjusted** | **15 115** | **549 559** | **100 084** | **5 031** | **110 525** | **(79 119)** | **(16 198)** | **684 997** |
| **Comprehensive income for the three months ended 30 September 2013** | **-** | **-** | **-** | **-** | **-** | **-** | (10 994) | (10 994) |
| Prior-period results of companies entered into consolidation | - | - | - | - | - | **-** | - | - |
| 2012 profit distribution - transfer to equity | - | - | - | - | - | **-** | - | - |
| Measurement of 2nd management options programme | - | - | - | (21) | - | **-** | 21 | - |
| Purchase of own shares | - | - | - | - | - | **(17 673)** | - | (17 673) |
| Redemption of own shares | - | - | - | - | - | **-** | - | - |
| Transfer of buy-back provision | - | - | - | - | - | **-** | - | - |
| Dividend from 2012 profit | - | - | - | - | - | **-** | - | - |
| **30 September 2013** | **15 115** | **549 559** | **100 084** | **5 010** | **110 525** | **(96 792)** | **(27 171)** | **656 330** |

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | **15 115** | **549 559** | **100 084** | **5 031** | **110 303** | **(65 020)** | **(27 147)** | **687 925** |
| Correction of fundamental errors 2012 | - | - | - | - | - | - | - | - |
| **1 January 2013, adjusted** | **15 115** | **549 559** | **100 084** | **5 031** | **110 303** | **(65 020)** | **(27 147)** | **687 925** |
| **Comprehensive income for the nine months ended 30 September 2013** | **-** | **-** | **-** | **-** | **-** | - | 13 601 | 13 601 |
| Prior-period results of companies entered into consolidation | - | - | - | - | - | - | (53) | (53) |
| 2012 profit distribution - transfer to equity | - | - | - | - | 222 | - | (222) | - |
| Measurement of 2nd management options programme | - | - | - | (21) | - | - | 21 | - |
| Purchase of own shares | - | - | - | - | - | (31 772) | - | (31 772) |
| Redemption of own shares | - | - | - | - | - | - | - | - |
| Transfer of buy-back provision | - | - | - | - | - | - | - | - |
| Dividend from 2012 profit | - | - | - | - | - | - | (13 372) | (13 372) |
| **30 September 2013** | **15 115** | **549 559** | **100 084** | **5 010** | **110 525** | **(96 792)** | **(27 171)** | **656 330** |

(amounts in PLN 000s, unless otherwise stated)

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | **15 115** | **549 559** | **100 084** | **5 031** | **110 303** | **(65 020)** | **(27 147)** | **687 925** |
| Correction of fundamental errors 2012 | - | - | - | - | - | - | - | - |
| **1 January 2013, adjusted** | **15 115** | **549 559** | **100 084** | **5 031** | **110 303** | **(65 020)** | **(27 147)** | **687 925** |
| **Comprehensive income for the 12 months ended 31 December 2013** | **-** | **-** | **-** | **-** | **-** | - | 13 799 | 13 799 |
| Prior-period results of companies entered into consolidation | - | - | - | - | - | - | (53) | (53) |
| 2012 profit distribution - transfer to equity | - | - | - | - | 222 | - | (222) | - |
| Measurement of 2nd management options programme | - | - | - | (21) | - | - | 21 | - |
| Release of buy-back provision | - | - | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | (41 596) | - | (41 596) |
| Redemption of own shares | - | - | - | - | - | - | - | - |
| Transfer of buy-back provision | - | - | - | - | - | - | - | - |
| Dividend from 2012 profit | - | - | - | - | - | - | (13 372) | (13 372) |
| **31 December 2013** | **15 115** | **549 559** | **100 084** | **5 010** | **110 525** | **(106 616)** | **(26 973)** | **646 704** |

(amounts in PLN 000s, unless otherwise stated)

# 5. Condensed consolidated statement of cash flows

| | Nine months ended 30 Sep 2014 | Nine months ended 30 Sep 2013 |
|---|---|---|
| **Profit (loss) for the period** | **17 474** | **13 601** |
| **Adjusted by:** | **(19 517)** | **32 710** |
| Share of the net profit (loss) of equity-accounted investees | - | - |
| Depreciation / amortisation | 35 275 | 30 527 |
| (Profit) loss on exchange differences | 182 | - |
| Interest and shares of profit (dividends) | 229 | 71 |
| Income tax | 8 068 | 3 151 |
| Profit (loss) on investing activities | 535 | (2 419) |
| Change in provisions | (14 064) | (4 061) |
| Change in inventory | 1 651 | (20 843) |
| Change in receivables | 43 083 | 23 459 |
| Change in prepayments | (513) | 591 |
| Change in liabilities | (94 424) | 3 856 |
| Other adjustments | 5 727 | 3 |
| Income tax paid | (5 266) | (1 625) |
| **Net cash from operating activities** | **(2 043)** | **46 311** |
| **Inflows** | **7 720** | **5 686** |
| Disposal of property, plant and equipment and intangible assets | 7 720 | 5 646 |
| Disposal of financial assets | - | - |
| Disposal of interests in subsidiaries | - | - |
| Dividends received | - | - |
| Interest received | - | - |
| Repayment of loans issued | - | - |
| Cash of acquired entities, at acquisition date | - | 40 |
| Proceeds from use of investment properties | - | - |
| Other inflows | - | - |
| **Outflows** | **(85 197)** | **(25 357)** |
| Purchase of property, plant and equipment and intangible assets | (50 162) | (25 354) |
| Purchase of investment properties | - | - |
| Purchase of subsidiaries and associates | - | - |
| Purchase of financial assets | (35 035) | - |
| Borrowings granted | - | - |
| Cash of subsidiaries at disposal date | - | - |
| Expenditures on maintenance of investment properties | - | - |
| Other outflows | - | (3) |
| **Net cash from investing activities** | **(77 477)** | **(19 671)** |
| **Inflows** | **1 600** | - |
| Proceeds from credit facilities and loans | - | - |
| Issue of short-term debt instruments | 1 | - |
| Proceeds from equity issuance | 1 599 | - |
| Other inflows | - | - |
| **Outflows** | **(50 300)** | **(45 445)** |
| Repayment of borrowings | - | - |
| Buy-back of short-term debt instruments | (1) | - |
| Payment of finance lease liabilities | (621) | (231) |

(amounts in PLN 000s, unless otherwise stated)

| | | |
|---|---|---|
| Interest and fees paid | (229) | (70) |
| Dividends paid | (12 109) | (13 372) |
| Purchase of own shares | (37 340) | (31 772) |
| Other outflows | - | - |
| **Net cash from financing activities** | **(48 700)** | **(45 445)** |
| **Change in cash and cash equivalents** | **(128 220)** | **(18 805)** |
| Exchange differences | - | - |
| **Cash and cash equivalents at the beginning of period** | **195 153** | **215 293** |
| **Cash and cash equivalents at the end of period** | **66 933** | **196 488** |

# 6. Additional information

## 6.1 Description of Group structure

**Name, registered office and economic activities of the parent entity**

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

The parent's registered office is located in Lublin, ul. Projektowa 1.

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 were prepared for the period from 1 January 2014 to 30 September 2014, and the comparative financial data covers the period from 1 January 2013 to 30 September 2013. The consolidated financial statements do not contain combined data, and the companies do not have integral organisational entities that draft financial statements on their own.

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

**Information on consolidation**

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

As at 30 September 2014, consolidation includes Emperia Holding S.A. and 10 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., EMP Investment Limited, Ekon Sp. z o.o., IPOPEMA 55 FIZAN, Elpro Development S.A. (formerly P1 Sp. z o.o.), Eldorado Sp. z o.o. (formerly P4 Sp. z o.o.), P5 EKON Sp. z o.o. S.K.A.

During the first three quarters of 2014, Emperia Group's structure was subject to changes (compared with the 2013 year-end). On 31 January 2014, the following subsidiaries were merged: Stokrotka Sp. z o.o. with Maro Markety Sp. z o.o. and Społem Tychy S.A. In addition, on 31 March 2014, Stokrotka Sp. z o.o. acquired "PILAWA" Sp. z o.o.

(amounts in PLN 000s, unless otherwise stated)

**Emperia Holding S.A. subsidiaries subject to consolidation within the Group, included in the consolidated financial statements as at 30 September 2014**

| | Entity name | Registered office | Main economic activity | Registration authority | Type of control | Means of consolidation | Acquisition date / date from which significant control is exerted | % of share capital held | Share of the total number of votes at general meeting |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Stokrotka Sp. z o.o. (1) | 20-209 Lublin, ul. Projektowa 1 | Retail sale of food, beverages and tobacco | 16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 1999-01-27 | 100.00% | 100.00% |
| 2 | Infinite Sp. z o.o. | 20-209 Lublin, ul. Projektowa 1 | IT operations | 16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 1997-03-11 | 100.00% | 100.00% |
| 3 | ELPRO EKON Sp. z o.o. S.K.A. (2) | 20-209 Lublin, ul. Projektowa 1 | Property development | 392753, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 2001-02-15 | 100.00% | 100.00% |
| 4 | P3 EKON Sp. z o.o. S.K.A. (3) | 20-209 Lublin, ul. Projektowa 1 | Property management | 407301, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 2007-11-29 | 100.00% | 100.00% |
| 5 | Elpro Development S.A. (formerly P1 Sp. z o.o.) | 20-209 Lublin, ul. Projektowa 1 | Renting and operating of own or leased real estate | 509157, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 2010-09-06 | 100.00% | 100.00% |

(amounts in PLN 000s, unless otherwise stated)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 6 | EKON Sp. z o.o. | 20-209 Lublin, ul. Projektowa 1 | Property management | 367597, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 2010-09-06 | 100.00% | 100.00% |
| 7 | EMP Investment Ltd. (6) | Themistokli Dervi 3, JULIA HOUSE, P.C. 1066; Nicosia, Cyprus | Investments in property | HE 272278, Ministry of Commerce, Industry and Tourism, Company Registration Department Nicosia, Cyprus | Subsidiary | Full | 2010-09-03 | 100.00% | 100.00% |
| 8 | Ipopema 55 FIZAN (4) | 00-850 Warsaw, Waliców 11 | Trusts, funds and similar financial instruments | RFI 591, Investment Fund Register maintained by the District Court in Warsaw | Subsidiary | Full | 2010-12-09 | 100.00% | 100.00% |
| 9 | Eldorado Sp. z o.o. (formerly P4 Sp. z o.o.) | 20-209 Lublin, ul. Projektowa 1 | Activities of head offices; management consultancy activities | 400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 03-10-2011 | 100.00% | 100.00% |
| 10 | P5 EKON Sp. z o.o. S.K.A. (formerly P5 Sp. z o.o.) (5) | 20-209 Lublin, ul. Projektowa 1 | Renting and operating of own or leased real estate | 425738, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 24-11-2011 | 100.00% | 100.00% |

(1) directly by Emperia Holding S.A. (125 475 shares; 96.78%), indirectly by Stokrotka Sp. z o.o. (4 181 shares; 3.22%)
(2) indirectly by IPOPEMA 55 FIZAN (80 825 shares), EKON Sp. z o.o. (contribution)
(3) indirectly by IPOPEMA 55 FIZAN (138 427 shares), EKON Sp. z o.o. (contribution)
(4) indirectly by EMP Investment Limited
(5) indirectly by IPOPEMA 55 FIZAN (56 047 shares), EKON Sp. z o.o. (contribution)
(6) indirectly by Elpro Development S.A.

**Subsidiaries excluded from the consolidated financial statements as at 30 September 2014, together with the legal basis for exclusion**

| | Entity name | Registered office | Legal basis for exclusion | Emperia's share in capital (% as at the end of the reporting period) | Emperia's share of voting rights (% as at the end of the reporting period) |
|---|---|---|---|---|---|
| 1 | P2 EKON Sp. z o.o. S.K.A. (1) | 20-209 Lublin, ul. Projektowa 1 | The financial data of these entities is insignificant from the viewpoint of the requirement to present the Group's asset position, financial situation and performance in a reliable and transparent manner. | 100.00% | 100.00% |

(1) indirectly by IPOPEMA 55 FIZAN

**Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 30 September 2014**

| | Entity name | Registered office | Share capital (in PLN 000s) | Emperia's share in capital (% as at the end of the reporting period) | Emperia's share of voting rights (% as at the end of the reporting period) |
|---|---|---|---|---|---|
| 1 | "Podlaskie Centrum Rolno-Towarowe" S.A. (1) | Białystok ul. Gen. Wł. Andersa 40 | 11 115 | 0.30% | 0.60% |

(1) indirectly by P3 EKON Sp. z o.o. S.K.A

## 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 approves the consolidated financial statements on the date on which they are signed.

### 6.2.2 Statement of compliance

The consolidated financial statements of Emperia Holding S.A. were prepared in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union.
The consolidated financial statements reliably present the Group's financial situation, financial performance and cash flows.
The consolidated financial statements were prepared in accordance with the Ordinance of the Minister of Finance dated 19 October 2005 on current and periodic information disclosed by issuers of securities.

### 6.2.3 Segment reporting

IFRS 8 Operating Segments, issued by the IASB on 30 November 2006, superseded IAS 14 Segment Reporting and applies to annual periods beginning on or after 1 January 2009.

In 2014, the Group operated through the following segments:

1. **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o., alongside revenue from trade intermediation agreements, together with the related costs that have been allocated and settled using a statistical approach, transferred from the central management segment (from Emperia Holding S.A.).

2. **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN; Elpro Development S.A. (formerly P1 Sp. z o.o.) and the property segment, which has been carved out of Emperia Holding S.A.

3. **Central Management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o. (formerly P4 Sp. z o.o.)

4. **IT** (IT segment), covering the operations of Infinite Spółka z o.o. - an IT services provider.

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms and are subject to exclusion from the consolidated financial statements.

### 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).

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 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.

### 6.2.7 Application of standards and interpretations effective from 1 January 2014

The Group applies the following standards, amendments and interpretations since 1 January 2014:

**a) IAS 32 Financial Instruments: Presentation**

The amendment to IAS 32 concerns the offsetting of financial assets and financial liabilities. It was issued on 16 December 2011 in order to explain offsetting requirements. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

**b) Investment entities - amendments to IFRS 10, IFRS 12 and IAS 27**

On 31 October 2012, amendments were issued for IFRS 10, IFRS 12 and IAS 27 which allow to not consolidate in accordance with IFRS 10 and require investment entities to carry subsidiaries at fair value through profit or loss (in accordance with IFRS 9) instead of consolidating them. In addition, the amendments provide requirements concerning disclosures for investment entities. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

**c) Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'**

On 27 June 2013, the IASB issued 'Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'). Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to benefit from the amended guidance, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted.

**d) Amendments to IAS 36 concerning disclosures of recoverable amounts of non-financial assets**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The overall effect of the amendment is a reduction in the events where recoverable value of an asset or a cash-generating unit requires disclosure, clarification of disclosure requirements and introduction of formal requirements for the disclosure of discount rates applied to recognise impairment or reverse an impairment loss (based on fair value less costs of disposal) measured based on current value.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted if IFRS 13 is applied.

**e) IFRIC 21 Levies**

On 20 May 2013, the IASB issued interpretation IFRIC 21 Levies, which provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.
IFRIC 21 provides guidance on progressive recognition of a liability to pay levies if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold.
IFRIC 21 applies to annual periods beginning on or after 1 January 2014. The interpretation does not supersede IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment, which remains in force and is consistent with IFRIC 21.

The Group estimates that adoption of the above amended standards and new interpretations does not have a significant impact on the financial statements for H1 2014.

**Early application of standards and applications:**

In preparing these consolidated financial statements, the Group decided against the earlier application of any standards.

**Standards and interpretations not yet endorsed by the European Union:**

**a) IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the full version of the new standard IFRS 9 Financial Instruments. This standard is a comprehensive set of accounting principles relating to financial instruments and it is expected to be effective from 1 January 2018. IFRS 9 will supersede the existing IAS 39 and contains guidelines regarding, among others, qualification and measurement of financial assets, calculation and recognition of impairment of financial assets, hedge accounting, recognition of the effects of changes in the fair value of financial liabilities resulting from changes in own credit risk. The majority of the above concepts had already been issued in the past. The final version of IFRS 9 includes amended (compared with those issued in 2009 and 2010) principles for classification of financial instruments, defines a new category - 'measured at fair value through other comprehensive income,' and establishes principles for calculating and recognising impairment based on the expected loss model.

**b) Amendments to IFRS 11 Acquisition of an interest in a joint operation**

On 6 May 2014, the IASB issued amendments to IFRS 11 Acquisition of an interest in a joint operation. The introduced changes require an acquisition of an interest in a joint operation to be subject to the same principles as in the case of business combinations. Such recognition is also to be applicable to acquisitions of additional interests in a joint operation, while retaining joint control. Additional interests acquired will be measured at fair value, and those held previously will not be re-measured. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

**c) Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation**

On 12 May 2014, the IASB amended IAS 16 Property, plant and equipment and IAS 38 Intangible assets in order to clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption. The revenue generated from activities that use a given asset usually reflect factors other than the consumed economic benefits from that asset. Revenue is not by default an appropriate manifestation of consumption of the economic benefits deriving from intangible assets. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

**d) IFRS 15 Revenue from Contracts with Customers**

On 28 May 2014, the IASB issued a new standard concerning recognition of revenue - IFRS 15 Revenue from Contracts with Customers. The above standard specifies principles for recognition of all types of revenue resulting from contracts with customers (clients). The standard does not apply only to contracts that are covered by IAS/IFRS concerning leasing, insurance contracts and financial instruments. Pursuant to IFRS 15, an entity should recognise revenue in such manner as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As regards identifying a contract, IFRS 15 introduces the requirement that the entity assesses whether receiving payment from a customer is likely. IFRS 15 will be effective for reporting periods beginning on or after 1 January 2017.

**e) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

On 30 June 2014, the IASB published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

**f) Amendment to IAS 19 Employee Benefits**

On 21 November 2013, the IASB published amendments applicable to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

**g) Amendments to IFRS 2010-2012**

On 12 December 2013, the IASB published annual improvements to IFRS 2010-2012, containing eight amendments to seven standards. The main changes were as follows: clarifies the definition of 'vesting condition' from attachment A to IFRS 2, clarifies the legal aspects of accounting for contingent consideration in a business combination, amends paragraph 22 of IFRS 8 by introducing a disclosure requirement regarding factors used to identify reporting segments in a business combination, amends paragraph 28(c) of IFRS 8 by clarifying that reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the unit's decision makers, clarifies the IASB's justifications regarding the removal of paragraph B5.4.12 of IFRS 9 and paragraph OS79 of IAS 39, disclosure requirements concerning the revaluation model from IAS 16 and IAS 38, clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

#### h) Amendments to IFRS 2011-2013

On 12 December 2013, the IASB published annual improvements to IFRS 2011-2013, containing four amendments. The main changes were as follows: clarifies the meaning of "each IFRS effective at the end of the reporting period in which IFRS were first applied" paragraph 7 of IFRS 1; clarifies that paragraph 2(a) of IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement as defined in IFRS 11 and that the exception concerns only the financial statements of joint ventures and joint operations; clarifies that the scope of the portfolio exception defined in paragraph 48 of IFRS 13 includes all contracts accounted for within the scope of IAS 39, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32; clarifies that determining whether a specific transaction meets the definition of both business combination as defined in IFRS 3 and investment property requires the use of judgement and that the judgement must be based on guidelines in IFRS 3.

#### i) New standard IFRS 14 Regulatory Deferral Accounts

On 30 January 2014, the IASB issued a new standard the objective of which is to increase the comparability of financial statements of rate-regulated entities. This standard provides a framework for recognising items constituting revenue or costs qualified for recognition as a result of the rate-regulating laws in effect and which do not qualify as assets or liabilities under the requirements of other IFRSs. IFRS 14 will apply from 2016. Early application is permitted.

#### j) Amendments to IAS 27 - Equity Method in Separate Financial Statements

On 12 August 2014, the IASB published amendments allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments to IAS 27 will be effective from 1 January 2016, with early application permitted.

#### k) Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture

On 11 September 2014, the IASB published amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments introduce the requirement that the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognised in full. Partial recognition of the gain or loss resulting will be applicable if the transaction concerns assets that do not constitute a business, even if such assets were held by a subsidiary. Amendments to IFRS 10 and IAS 28 will be effective from 1 January 2016, with early application permitted.

#### l) Amendments to IFRS 2012-2014

On 25 September 2014, the IASB published annual improvements to IFRS 2012-2014, containing amendments to four standards. In IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, specific guidance was added regarding cases in which an entity reclassifies an asset from held for sale to held for distribution. The amendment to IFRS 7 Financial Instruments: Disclosures concerns withdrawal of offsetting disclosure requirements in preparing condensed interim financial statements. It also adds additional guidance to clarify whether a servicing contract is considered as continuing involvement in a transferred asset for the purpose of determining the disclosures required. IAS 19 Employee Benefits introduces an amendment concerning change in discount rates for currencies where there is no developed market for high-quality corporate bonds. IAS 34 Interim Financial Reporting clarifies the meaning of 'elsewhere in the interim report' in relation to the rules and location for disclosing information about material events and transactions.

The Group considers use of the above standards not to have a significant impact on the financial statements in the period following their adoption.

### 6.2.8 Accounting estimates

Preparation of financial statements requires that the management 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 associated 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, these may contain a margin of error, and the actual results may differ from estimates.

The main estimates may concern the following balance sheet items: tangible and intangible assets (as regards economic useful life and impairment), employee benefit provisions (bonuses, retirement pay and unused vacation time), customer loyalty programme provisions, impairment of inventory and deferred income tax assets and provisions.

### 6.2.9 Correction of errors

Errors may relate to the recognition, measurement and presentation of items in financial statements, or to information disclosures. Errors identified during the preparation of financial statements are corrected in the statements being prepared.
Errors identified in subsequent reporting periods are corrected 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.

### 6.2.10 Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases

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

On 9 September 2014, Emperia Holding S.A. introduced to stock-market trading 64 428 ordinary bearer shares series P, with a nominal value of PLN 1 each. Introducing the series P shares to trading is part of Emperia Holding S.A.'s Management Options Programme. The Management Board of Emperia Holding S.A. announced via current reports the terms and deadlines for registering the series P shares by the KDPW, as well as the admission and introduction of the series P shares to stock-market trading.
From 9 September 2014, Emperia Holding S.A.'s share capital amounts to PLN 15 179 589 and is divided into 15 179 589 ordinary bearer shares, with a nominal value of PLN 1 each. The total number of voting rights carried by all issued shares of Emperia Holding S.A. is 15 179 589.
The change in Emperia Holding S.A.'s share capital was registered by the Court on 29 October 2014.

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

**a) Registration of a share capital increase at Elpro Development S.A. (formerly P1 Sp. z o.o.)**

On 7 October 2014, the District Court for Lublin-Wschód, based in Świdnik, 6th Commercial Division of the National Court Register, registered a share capital increase at subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) from PLN 1 050 000 to PLN 386 962 034, i.e. by PLN 385 912 034, through the issue of 385 912 034 new registered shares series B, with a nominal value of PLN 1 each. All of the newly-issued shares in the increased share capital were acquired by Emperia Holding S.A. and paid for with an in-kind contribution in the form of 117 665 shares in the share capital of EMP Investment Limited, constituting 100% of its share capital and entitling to 100% of votes, with a value of PLN 385 912 034. The transaction was executed in connection with the Issuer's planned split-up.

(amounts in PLN 000s, unless otherwise stated)

### 6.2.11 Property, plant and equipment

The Group recognises individual usable items which fulfil the criteria in IAS 16 as property, plant and equipment if their acquisition price (cost of manufacture) is at least PLN 1 000 (low-value assets in aggregate are not a significant item), with exceptions, particularly as follows:

- computer equipment,
- pallet trucks,
- store carts,
- high bay pallet racks
- lockers,

which, given the specific nature of the Company's operations and their high volume, constitute a significant asset group, the Group recognises as property, plant and equipment regardless of the purchase price (cost of manufacture).
Again due to the nature of the Company's operations, the following are not classified as property, plant and equipment, even though they meet the value criteria:

- office furniture,
- PVC curtains,

the value criterion for these items has been set at PLN 3 500 (low-value assets in aggregate are not a significant item from the Company's viewpoint).
Property, plant and equipment are recognised at purchase price or cost of manufacture less depreciation and impairment.
The Group also classifies property, plant and equipment in progress, investments in third-party property, plant and equipment and land usufruct rights as property, plant and equipment.

The initial value of property, plant and equipment includes the purchase price less any costs directly related to the purchase and adaptation of a given asset for commercial use. A portion of external financing costs is included in the initial value.
The cost of upgrades is included in the carrying amount of property, plant and equipment if it is probable that the economic benefits will flow to the Group, and the upgrade costs may be reliably measured. All other expenses relating to repairs and maintenance of property, plant and equipment are recognised through profit or loss for the reporting periods in which they were incurred.

Land is not subject to depreciation. Other property, plant and equipment are depreciated throughout their useful economic life. Straight-line depreciation is used, starting from the month following the month in which the asset was entered into use. The Group has adopted the following periods of useful economic life for the particular groups of property, plant and equipment:

| | |
|---|---|
| Rights to perpetual usufruct of land: | according to the term of the right or estimated period of use |
| Buildings and structures: | 10 to 40 years |
| Technical equipment and machinery: | 5 to 10 years |
| Computer equipment: | 1.5 to 5 years |
| Means of transport: | 5 to 7 years |
| Other: | 5 to 10 years |

The Group verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for property, plant and equipment, the residual values and depreciation approach, and the resulting changes in these estimates are applied in subsequent financial years (prospectively).

Due to the specific nature of its operations, the Group frequently incurs expenditures on investments in third-party facilities. This applies to leased warehousing and retail facilities. For these assets, the Group specifies periods of useful economic life of expenditures which are not always corresponding with the leasing agreement in place at the time. In the case of investments in third-party facilities, if the lease term is shorter than the planned period for balance sheet depreciation, and the lease is not expected to be extended, depreciation is based on the period of useful economic life. In the event that a lease contract is extended, however, the non-depreciated net value is allocated to the remaining useful economic life.

At the end of each reporting period, the Group also tests property, plant and equipment for impairment and the necessity to recognise impairment losses. This happens when the Group gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower.

Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.

Impairment losses are recognised as costs appropriate to the functions performed by the given asset in the period in which impairment was identified, however no later than at the end of the financial year.

If the Group gains sufficient certainty that the reason for recognising an impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through a correction in operating expenses (depreciation costs).

Upon the sale of a property, plant and equipment, its initial value and accumulated depreciation are taken off the books, and the result of the disposal is recognised through profit or loss under other operating revenue or other operating expenses. The result on the sale of property, plant and equipment is recognised, after offsetting, through profit or loss.

Regardless of whether a given asset constitutes a single item of property, plant and equipment, its elements may have different periods of useful economic life. If certain criteria are met as regards the recognition of property, plant and equipment, all of the costs of such an item may be divided into its elements, recognising each one separately (components). Such recognition necessitates, however, the application of depreciation rates appropriate to the useful period of a given component, taking into consideration its period of useful economic life.

Due to the solution above, the replacement costs of a component will increase its value. In other cases, expenses connected with the use of property, plant and equipment, together with the replacement of components, are recognised in the statement of profit and loss upon incurrence.

### 6.2.12 External financing costs

External financing costs are capitalised as part of the cost of manufacture of property, plant and equipment, investment properties and intangible assets. External financing costs comprise interest calculated using effective interest rates, finance lease liabilities and exchange differences arising in connection with external financing up to an amount corresponding to the correction of interest costs.

Proceeds from investments resulting from short-term investing of external borrowed funds intended for the purchase or manufacture of an asset being adapted decrease the value of external financing costs which are subject to capitalisation.

An asset being adapted is an asset which requires a substantial amount of time in order to bring it to working condition for its intended use. The substantial amount of time in order to bring an asset to working condition for its intended use is understood by the Group to be 12 months.

Commissions on long-term financing raised by the Company are settled over time at adjusted purchase price (amortised cost) using effective interest rates and with application of the materiality principle.

### 6.2.13 Non-current assets held for sale

The Group classifies non-current assets as held for sale (or disposal groups) if their carrying amount will be recovered through sale rather than through further use. This condition is met when there is a high likelihood that a sale transaction will take place and the asset (disposal groups) in its current form is available for immediate use. Classification of non-current assets as held for sale assumes the management's intent to complete the sale transaction within one year from the reclassification date.

Non-current assets held for sale (or disposal groups) are measured at the lower of carrying amount and fair value less costs to sell.
If the fair value is lower than the carrying amount, the difference is recognised as an impairment loss in the profit and loss statement. The reversal of an impairment loss is also done through the profit and loss statement, up to the amount of the impairment loss.

### 6.2.14 Intangible assets

Intangible assets are recognised at purchase price adjusted by amortisation and impairment losses.
The Group has adopted the following periods of useful economic life for the particular groups of intangible assets:

| | |
|---|---|
| Trademarks and licences | 5 years |
| Computer software and author's rights | 2 to 5 years |
| Property rights | 5 years |

Amortisation of intangible assets through profit or loss is recognised in the costs appropriate to the function performed by such assets (administrative expenses, distribution costs, other operating expenses).

Intangible assets not yet handed over for use (in progress) may be recognised at the end of the reporting period. Intangible assets that have not yet been handed over for use are not subject to amortisation, but are tested for impairment.
Intangible assets with undefined useful periods (concerns especially trademarks) and goodwill may be recorded as intangible assets. Goodwill and intangible assets with undefined useful periods are not subject to amortisation. However, they are tested for impairment annually.

Intangible assets acquired through a merger are recognised separately from goodwill, provided that they meet the definition of intangible assets and their value can be reliably established. After initial recognition at fair value, in subsequent reporting periods these intangible assets are treated in the same manner as intangible assets acquired in other transactions.

Purchased computer software is capitalised up to the amount of costs incurred to purchase, prepare and implement it. Costs connected with the development and maintenance of computer software are recognised as costs on the date when they were incurred.

The Group verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for intangible assets, the residual values and amortisation approach, and the resulting changes in these estimates are applied in subsequent years (prospectively).

At the end of each reporting period, the Group also tests intangible assets for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower. Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.

Impairment losses are recognised as costs appropriate to the functions performed by the given intangible asset in the period in which impairment was identified, however no later than at the end of the financial year. If the Company gains sufficient certainty that the reason for recognising the impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through recognition of revenue.

### 6.2.15 Investments and other financial assets

**Property investments**

Investment properties are those properties which the Company considers as lease income sources or maintains them due to their growing value, or both of these benefits at the same time. On initial recognition, investment properties are measured at purchase price or cost of manufacture.

The measurement takes into consideration transaction costs. The purchase price for investments in properties acquired as a result of a merger is equal to their fair value at transaction date. As at the end of the reporting period, investment properties are measured at purchase price or cost of manufacture less accumulated amortisation and impairment losses.

Amortisation charges on investment properties (excluding land) are recognised using the straight-line approach throughout the useful period of a given tangible asset.

Investment properties are taken off the balance sheet upon disposal or - in the event of a full withdrawal from use - if no economic benefits are expected to be received as a result of the sale.

**Investments and other financial assets covered by IAS 39**

Investments and other financial assets covered by IAS 39 are assigned to the following categories:

a) Financial assets carried at fair value through profit or loss:
b) Loans and receivables,
c) Investments held to maturity,
d) Available-for-sale financial assets

On initial recognition, a financial asset is measured at fair value, increased, in the case of a component of assets not classified as measured at fair value through profit or loss, by transaction costs, which can be directly attributed.

The classification of financial assets occurs upon initial recognition and - where permissible and appropriate - is subsequently verified at the end of each financial year.

a) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss cover assets held for trading and financial assets which upon initial recognition were reclassified to the category of assets carried at fair value through profit or loss.

Financial assets are classified as held for trading if they may be purchased for further sale in the short-term. Derivatives are also classified as held for trading unless they are effective hedging instruments or financial guarantee contracts. Profit or loss on investments held for trading is recognised in the statement of profit and loss.

On initial recognition, financial assets may be classified in the category 'at fair value through profit or loss' if the following criteria are met:

- such qualification eliminates or significantly lowers inconsistencies in recognition when both the measurement and means of recognition of profit and loss are subject to different regulations; or
- the assets are part of a group of financial assets which are managed and evaluated on the basis of fair value in accordance with a documented risk management strategy; or
- financial assets have embedded derivatives, which should be recognised separately.

b) Loans and receivables

Loans and receivables are financial assets, other than derivatives, that have defined maturities and are not traded on an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest rate approach.

Loans and receivables are classified as current assets if they mature in less than 12 months from the end of the reporting period, or as non-current assets if they mature in more than 12 months away from the end of the reporting period.

c) Investments held to maturity

Financial assets other than derivatives whose payments are or can be defined and which have defined maturities, and towards which the Company has a clear intent and is able to hold them to maturity are classified as investments held to maturity.
Investments which the Company intends to hold for an indefinite period of time are classified in this category. Other non-current investments that the Company intends to hold to maturity, such as bonds, are measured at amortised cost.
Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount, as calculated using the effective interest rate method. Amortised cost covers all commissions and interest paid and received by the parties to a contract such as are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The profit or loss on investments carried at amortised cost is recognised in the statement of profit and loss when the investment is removed from the balance sheet (derecognition) or upon identifying impairment or if depreciation is completed.
The same principles apply to non-current investments in property as to non-current assets. As regards non-current investments in property, plant and equipment, the effects of the activities connected with determining financial results, such as: sale, liquidation, maintenance costs should be recognised as operating revenue or operating expenses.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivatives such as are designated as available for sale, and those other than:

- loans and receivables,
- investments held to maturity, or
- financial assets carried at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value using various measurement approaches. These approaches involve the most recent transactions on market terms, received purchase proposals, current market prices of other similar instruments and DCF analysis. If it is not possible to determine the fair value, but the maturity of such assets is known, they are measured at amortised cost; if these assets do not have specified maturities, then they are measured at purchase price.
The profit or loss on available-for-sale investments is recognised in the statement of profit and loss.

**Impairment of financial assets**

Each financial asset or group of financial assets is evaluated as to whether there is objective proof of impairment at the end of each reporting period.

If such proof is available in the case of available-for-sale financial assets, the accumulated losses recognised in equity - i.e. the difference between the purchase price and the current fair value, less any impairment previously recognised in the statement of profit and loss, are excluded from equity and recognised in the statement of profit and loss. Impairment losses are recognised in the statement of profit and loss, and those concerning equity instruments are not subject to a reversal corresponding with the statement of profit and loss. The reversal of an impairment loss on debt instruments is recognised in the statement of profit and loss if - during reporting periods subsequent to the recognition of an impairment loss - the fair value of these instruments increases as a result of events occurring thereafter.

If objective proof exists as to the possibility for impairment of loans and receivables and investments held to maturity, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value estimated using future cash flows discounted using the effective interest rate for these assets (i.e. the effective interest rate calculated upon initial recognition - for assets based on a fixed interest rate, and the effective interest rate determined at the last revaluation of assets, if those are based on a variable interest rate). Impairment losses are recognised in the statement of profit and loss. An impairment loss is reversed if it decreased in subsequent periods and such a decrease may be due to events taking place after the impairment loss is recognised. Following the reversal of an impairment loss, the carrying amount of a financial asset may not exceed its amortised cost such as would be calculated if the impairment loss was not originally recognised. The reversal of an impairment loss is recognised in the statement of profit and loss.

If there are indications of an impairment loss on equity instruments not quoted on an active market such as are measured at purchase price (due to there being no reliable way of determining fair value), the amount of an impairment loss is calculated as the difference between the asset's carrying amount and the present value estimated using future cash flows discounted using the current market rate of return of similar financial assets. Such impairment losses are irreversible.

**Derivative instruments**

Derivatives are measured at fair value as at the end of the reporting period. Derivatives with fair value above zero constitute financial assets and are recognised as such, and derivatives with negative fair value constitute financial liabilities and are recognised as financial liabilities.
Estimated fair value corresponds with the recoverable amount or amount which must be paid in order to close an outstanding position as at the end of the reporting period. Measurement is based on market prices.
Recognition of the effects of changes in fair value or profit and losses on realising derivatives depends on their purpose. Derivatives are classified as either hedging instruments or trading instruments. There are two types of hedging instruments: fair value hedges and cash flow hedges.

**Recognition of trading derivatives**

Profit and losses resulting from changes in the fair value of a trading derivative upon measurement at the end of the reporting period or upon settlement are recognised in the statement of profit and loss as finance income/costs in the period in which they arise.

### 6.2.16 Investments in subsidiaries and associates

Subsidiaries are entities directly or indirectly controlled by the Company. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the shares or voting rights of the entity.

An associate is an entity over which the Company has significant influence but not control. In this case the Company holds a significant, but not a majority, interest in the entity (20%-50%).

In financial statements, investments in subsidiaries and associates other than those classified as held for sale are recognised at purchase price less impairment.

The carrying amounts of such investments are subject to impairment testing. Any identified impairment is recognised in the statement of profit and loss as finance costs. The reversal of an impairment loss is recognised in the statement of profit and loss as finance income and occurs upon changes in the estimates used to determine the Company's rate of return on investment.

Dividends received from such investments are recognised in the statement of profit and loss as finance income upon establishing the right to dividend.
Mergers of jointly controlled entities are recognised at book value.

### 6.2.17 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. The object of a lease is recognised as an asset from the inception of the lease at the lower of fair value of the leased object and present value of minimum lease payments.

Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest component of a finance lease payment is recognised in the statement of profit and loss as finance cost throughout the lease term. Assets acquired under finance leasing such as are subject to depreciation are depreciated throughout their useful periods, with consideration given to their residual value, or lease term, depending on which is shorter.

A lease is classified as an operating lease if substantially all the risks and rewards incident to ownership remain with the lessor (the financing entity). If the title to land is not expected to be transferred to the lessee before the end of the lease term, the lease is classified as an operating lease.
Lease payments under operating leasing (after accounting for any special promotional offers from the lessor - financing party) are accounted for using the straight-line approach throughout the lease term.

### 6.2.18 Inventories

The company classifies the following as inventory:

- materials
- goods

Inventory items are measured at purchase prices. Because they are insignificant, the Group does not include transport costs in purchase prices. The FIFO principle is used in respect to inventory items.
At the end of the reporting period, inventory is recognised at purchase price that may not, however, be higher than its net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The Group recognises impairment losses on inventory based on the inventory turnover ratio and an assessment of the possibility to sell such inventory before its expiry or during its economic life. The recognition of a new impairment loss and reversal of a previously created impairment loss are recognised as operating expenses (cost of sales) in the statement of profit and loss.

The rounding of prices connected with the purchase of materials is recognised directly in the statement of profit and loss as cost of sales.
Stock losses and a negative balance of inventory deficits regarded as unintentional are recognised directly as operating expenses.

### 6.2.19 Trade and other receivables

Receivables are carried at amortised cost less impairment. Non-recoverable receivables are recognised as other expenses at the date on which they are classified as non-recoverable.
Impairment of receivables is recognised when there is objective proof that the Group will not be able to receive all due amounts as per the original terms of the receivable.

The Group recognises impairment losses on receivables for specific counterparties. The Group may create joint impairment losses for high-volume, low-value receivables. Detailed principles for the impairment of receivables are specified in the Receivables impairment manual.

An impairment loss is recognised in the books under other expenses. The reversal of a previously created impairment loss is recognised as other revenue and releases the impaired amount. Impairment losses in the statement of profit and loss are balanced out and recognised as either other expense or other revenue.
Receivables with a payment term of up to 12 months and receivables concerning collateral are recognised in the amount due, and the discount is omitted due to its insignificance.

In consideration of the prudence principle, interest on late payment of receivables is recognised when the Company receives the funds.

All advance payments such as those concerning future goods and services, production in process, payment for shares, purchase of intangible assets and others are recognised as other receivables.

### 6.2.20 Prepayments and deferred revenue

The Group recognises prepayments if the expenses concern subsequent periods after the period in which they are incurred.
The most significant prepayment items are as follows: prepaid rent, compensation fees (amounts paid to take over a store site from the previous lessee), insurance and subscriptions.
The Group classified prepayments as either short-term or long-term (those which will be realised in a period longer than 12 months from the end of the reporting period). In the statement of financial position, prepayments are presented as a separate asset item.
Deferred revenue constitutes funds received for future considerations. In the statement of financial position, deferred revenue is recognised in a separate liability item.

### 6.2.21 Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, cash in bank accounts and all deposits and short-term securities with maturities of up to three months.
At the end of the reporting period, cash and cash equivalents are recognised at nominal value, whereas bank deposits - at amortised cost.

### 6.2.22 Equity

The company's equity comprises:

- share capital
- supplementary capital
- reserve capital
- own shares
- retained earnings

Share capital is recognised in the amount specified in the articles of association and in the National Court Register.

Emperia Holding S.A.'s supplementary capital is divided into the following categories:

- share premium provision - the premiums received from share issues, less issue costs,
- supplementary capital - created from profit generated in successive years in an amount equal to at least 8% of the given financial year's profit until the supplementary capital reaches one third of share capital,
- management options provision - established in connection with management options programmes,

Emperia Holding S.A.'s reserve capital is divided into the following categories:

- reserve capital - intended to cover extraordinary losses or expenditures, created from profit generated in successive years,
- revaluation reserve - comprises the net difference of measured net restated assets,
- buy-back provision - created pursuant to an authorisation granted through a resolution of the General Meeting and in accordance with the Company's buy-back programme.

Own shares purchased by the Company are recognised at purchase price, increased by costs directly connected with their purchase. The purchase and redemption of own shares are presented as a change in equity. In the statement of financial position, own shares are presented as a separate item reducing equity (with a negative sign).

Retained earnings cover the following categories:

- unallocated profit or outstanding losses brought forward (accumulated profit / losses from prior years),
- current-period result.

### 6.2.23 Net earnings per share

Net earnings per share are calculated for each reporting period through dividing the net profit generated in the period by the weighted average number of shares in that period.

### 6.2.24 Credit facilities

Credit facilities are recognised at fair value less acquisition costs. In subsequent periods, credit facilities are measured at amortised cost using the effective interest rate method.
Long-term credit facilities are those facilities with maturities longer than 12 months from the end of the reporting period.

### 6.2.25 Provisions

The Group recognises provisions if there is an expected present, legal or customary obligation of a likely payment to arise, resulting from past events. There must be a higher likelihood that an outflow will be required in order to meet the obligation than that it will not be required, and its amount should be reliably estimated.
Receivables provisions are recognised as operating expenses or other operating expenses.
If there is a likelihood that a part or all of the economic benefits required to settle the provision may be recovered from a third party, the receivable is recognised as an asset, provided that the likelihood is sufficiently high and that it can be reliably estimated.
In the event that the time value of money is substantial, the size of the provision is determined through discounting future cash flows to present value using a gross interest rate reflecting the current market valuations of the time value of money and any risk associated with the given obligation. If discounting is applied, increasing the provision with passage of time is recognised as finance costs.
The amount of provisions created is verified and updated at the end of each reporting period in order to adjust estimates to the company's present level of knowledge.
Provisions in the consolidated financial statements are presented as either current or non-current.

### 6.2.26 Liabilities

Liabilities are present obligations as a result of past events, the settlement of which is expected to result in an outflow of resources (payment).

Non-current liabilities are liabilities that fall due for payment after more than 12 months from the end of the reporting period.

Non-current liabilities particularly include: credit liabilities, loan liabilities and finance lease liabilities.

At the end of the reporting period, non-current liabilities are measured at amortised cost using the effective interest rate method.
Current liabilities are liabilities that fall due for payment within 12 months from the end of the reporting period.

Current liabilities include in particular: trade payables, credit liabilities, loan liabilities, wages and salaries, taxes, excise duties, insurance and other benefits.
In the case of liabilities that fall due for payment within 12 months, discount is excluded due to its insignificance.
Trade payables are recognised at nominal value. Interest is recognised upon receipt of bills from suppliers.
Non-financial liabilities are measured at the amount due.

### 6.2.27 Employee benefits

#### *6.2.27.1 Employee benefits*

The Group's employees acquire rights to benefits which will be paid out once they obtain certain entitlements. In accordance with the Group's remuneration systems, all employees have the right to retirement and pension benefits, while managers and management board members are entitled to bonuses for achieving corporate and individual objectives during the reporting period, which are paid out at the end of said period.

The Group establishes employee benefit provisions. This concerns retirement benefits, compensated absences and bonuses. Employee benefit provisions are estimated at the end of each reporting period and are measured by an independent actuary.

Employee benefits are recorded as operating expenses (distribution costs, administrative expenses), with the exception of interest costs, which are recorded as finance costs. Employee benefit provisions are presented as either current or non-current provisions in the consolidated financial statements.

#### *6.2.27.2 Share-based payments*

The Group has the following incentive schemes:
- Management Options Programme I 2008-2009,
- Management Options Programme II 2010-2012 (programme was not used in 2012)

under which management board members and key managers are entitled to acquire options (bonds) to purchase shares in the company. These benefits are settled in accordance with IFRS 2. The costs of transactions settled with employees using equity instruments are measured at fair value on the date on which such rights are vested. The programme's fair value is recorded as a cost in the statement of profit and loss and as equity (management options provision) throughout the vesting period.

The fair value of the options (bonds) to purchase shares in the Company is estimated by an independent expert using modern financial engineering and numerical methods. The measurement includes: the model input price (share price on the date on which a given instrument is granted), the instrument's exercise price, expected volatility, risk-free interest rate and the expected dividends.

### 6.2.28 Income tax

Income tax includes: current tax (due and payable) and deferred tax.

**a) Current tax**

Current tax liabilities are calculated on the basis of the tax result (tax base) of a given financial year.
Tax profit (loss) differs from balance sheet profit (loss) in connection with the exclusion of taxable income and expenses which are deductible in subsequent years as well as cost and revenue items which will never be taxed. The burden of the current portion of income tax is calculated using tax rates effective for a given financial year.

**b) Deferred tax**

Deferred income tax liabilities constitute tax which is payable in the future and is recorded in the balance sheet in its full amount, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts.

Deferred income tax assets constitute tax which is to be returned in the future and is calculated using the balance sheet method, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised.
Basic temporary differences concern the differences between the carrying amount and tax base of assets and liabilities settled in time.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax is recognised in the statement of profit and loss, and - if related to share-based payments - in equity.

Fundamental temporary differences concern the differences between the carrying amount and tax base of assets and liabilities settled over time.
Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised. Deferred income tax assets and liabilities are recognised in the balance sheet as non-current assets and liabilities.

### 6.2.29 Revenue

Revenue is recognised at the fair value of the consideration received or receivable, less tax on goods and services and any discounts.
Revenue is the gross inflow of economic benefits arising during the Company's ordinary course of business.
Revenue from activities other than the Company's ordinary course of business is recorded in other operating revenue.
Revenue connected with financing the Company's operations is recognised as finance income, together with proceeds from disposal of financial assets, dividends and interest income derived from financial instruments.

**Revenue from sale of goods**
Revenue is recognised at fair value of the consideration received or receivable, less tax on goods and services and any discounts.
Revenue is the gross inflow of economic benefits arising during the Company's ordinary course of business.
Revenue from activities other than the Company's ordinary course of business is recorded in other operating revenue.
Revenue connected with financing the Company's operations is recognised as finance income, together with proceeds from disposal of financial assets, dividends and interest income derived from financial instruments.

Revenue from sale of goods
Revenue from retail sales is recognised when the product is sold to the customer. Retail sales are usually in cash or by payment cards. Card fees are recognised as distribution costs.

Retrospective discounts received from suppliers are recognised on an accrual basis, reducing the cost of products sold in the statement of profit and loss. Discounts received from suppliers concerning unsold inventory such as are calculated on the basis of turnover with the particular supplier are settled as inventory (statistical method).

Revenue from sale of services
Revenue from the sale of services is recognised when service is provided and approved by the buyer. If contractually permitted, recognition of revenue on partial delivery of service is possible, as specified in a separate agreement.

Interest income
Interest income is recorded on an accrual basis if there is sufficient certainty that the receivable will be recovered. In retail, due to its specific nature, interest serves a different function, so for the most part it is recognised as revenue on an accrual basis.

Dividends
Dividend income is recognised when the Company gains the right to receive the dividend. Dividend payments to shareholders are recognised as a liability in the period in which they are approved by the general meeting under other liabilities.

### 6.2.30 Costs

Costs constitute a probable decrease in economic benefits during the reporting period as either a decrease in assets or increase in liabilities and provisions, which reduce equity in a manner other than withdrawal by shareholders.
The Group recognises costs in the statement of profit and loss during the reporting period such as correspond to the revenue generated in that period (matching principle).

**Cost of goods for resale and materials** - covers the costs directly incurred to obtain goods and materials sold, and corresponds with the revenue generated from the sale of these items.

**Cost of services** – covers expenses directly connected with provision of services.

**Distribution costs** – cover expenses connection with selling and distributing goods and services.

**Administrative expenses** – cover costs incurred in connection with general company operations other than those classified as other operating expenses or finance costs.

**Other operating expenses** – cover costs indirectly related to Group operations.

**Finance costs** – cover costs connected with financing Group operations as well as costs related to impairment of financial assets

### 6.2.31 Foreign-currency transactions and exchange differences

Transactions expresses in foreign currencies are recognised in the Group's functional currency (PLN), using the exchange rate in effect on the transaction date.

At the end of each reporting period:

- cash items expressed in foreign currency are translated using the closing rate;
- foreign-currency non-monetary items carried at historic cost are translated using the exchange rate in effect on the transaction date, and
- foreign-currency non-monetary items carried at fair value are translated using the exchange rate in effect on the date on which fair value was measured.

Gains and losses from settlement of foreign-currency transactions and measurement of monetary balance sheet assets and liabilities expressed in foreign currencies are recognised in the statement of profit and loss as finance income or finance costs, respectively. Exchange differences are presented after offsetting.

(amounts in PLN 000s, unless otherwise stated)

# 7. Notes to the financial statements

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

The key tasks that the Group was implementing in Q3 2014 are as follows:

- continuing optimisation of the in-house logistics system,
- restructuring of Stokrotka's central office in connection with having completed projects in this segment and adapting the central office to its current responsibilities,
- development of the Stokrotka franchise (expiry at the end of September of contractual limits connected with development of the franchise business).

**Changes in key items from the statement of profit and loss**

| Item | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Revenue from sales | 484 207 | 473 018 | 2.37% |
| Profit on sales | 134 869 | 116 286 | 15.98% |
| EBITDA | 14 896 | (780) | - |
| Operating profit | 3 023 | (11 112) | - |
| Profit before tax | 3 387 | (10 329) | - |
| Profit for the period | 119 | (10 994) | - |

| Item | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Revenue from sales | 1 466 010 | 1 455 776 | 0.70% |
| Profit on sales | 417 234 | 356 499 | 17.04% |
| EBITDA | 59 891 | 43 357 | 38.13% |
| Operating profit | 24 616 | 12 830 | 91.86% |
| Profit before tax | 25 542 | 16 752 | 52.47% |
| Profit for the period | 17 474 | 13 601 | 28.48% |

Third-quarter revenue was down 2.37% on the same period last year. Revenue from sales for the first three quarters of 2014 was slightly higher (0.70%) than in the previous year. Third-quarter revenue was mainly impacted by deflation in food prices in the third quarter (-1.9% y/y) and strong pricing pressure on the retail market (the biggest price declines were seen in fresh product categories: fruit - 7.9%, vegetables - 10.4%, pork - 3.4%, poultry - 4.1%).
The third quarter saw PLN 119 000 in profit, compared with a PLN 10 994 000 loss in Q3 2013. For the first three quarters of 2014, profit was PLN 17 474 000, compared with PLN 13 601 000 in the same period last year.
The Group's low net result reported for Q3 2014 was due to a PLN 9 394 000 loss in the retail segment. The Group's other operating segments (property, IT and central management) recorded a total of PLN 9 855 000 in Q3 2014 profit (as per segment reporting, without consolidation exclusions).
The retail segment loss was caused chiefly by revenue being lower than in the comparative period, and particularly a 1.3pp decline in margins, coupled with higher operating expenses (as % of revenue): Q3 2014 - 28.9%, Q2 2014 - 26.4%.

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

- in Q3 2014 the Group posted a PLN 364 000 gain on financing activities, compared with PLN 783 000 in Q3 2013; in Q1-Q3 2014 the figure was PLN 926 000, compared with PLN 3 922 000 for Q1-Q3 2013,

(amounts in PLN 000s, unless otherwise stated)

- In Q3 2014, the property segment posted a PLN 532 000 gain on disposal of properties, compared with a PLN 674 000 loss in Q3 2013. In Q1-Q3 2014, the result on property sales was PLN 1 175 000, while in the comparative period it was PLN 2 392 000.
- In Q3 2014, in connection with a 2014 change in income tax regulations regarding partnerships limited by shares, the property segment reported PLN 1 217 000 in income tax, while the figure for Q1-Q3 2014 was PLN 3 255 000,
- Emperia Holding was awarded PLN 1 827 000 in a court dispute with Ernst & Young Sp. z o.o. (including PLN 193 000 in interest),
- In Q3 2014, the retail segment incurred one-off expenses connected with reducing the surface area of one store (Delima) of PLN 864 000, while cumulatively for Q1-Q3 2014 one-off expenses, concerning reduction in the surface area of two stores, amounted to PLN 1 644 000,
- In Q1-Q3 2014, the retail segment released a PLN 6 371 000 provision for onerous contracts (Delima stores) and a PLN 1 211 000 deferred income tax asset,
- In Q1-Q3 2014, the retail segment incurred a one-off expense connected with the closure of one store (Delima) of PLN 1 381 000,
- In Q1-Q3 2014, the retail segment incurred PLN 1 033 000 in costs connected with the merger of retail companies (Maro-Markety Sp. z o.o., Społem Tychy S.A. and Pilawa Sp. z o.o.),
- In Q3 2014, the retail segment incurred PLN 828 000 in costs connected with launching the franchise format, and PLN 2 376 000 overall in Q1-Q3 2014,
- In Q3 2014, the retail segment incurred costs relating to the remodelling, rebranding and implementing new floorplans at stores, which the company estimates at PLN 1 700 000, including PLN 800 000 in lost margin, and for the first three quarters of 2014: PLN 4 200 000, including PLN 1 500 000 in lost margin,
- In Q1-Q3 2013, the Group recorded PLN 3 111 000 in logistics costs, recognised as selling costs (in-house logistics were launched in July 2013), and overall in H1 2013 - PLN 3 128 000 (in-house logistics launched in July 2013),
- In Q3 2014, the retail segment incurred a PLN 1 715 000 one-off expense connected with the closure of one supermarket,

**Changes in key balance sheet items**

| Item | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Total assets | 936 620 | 953 959 | -1.82% |
| Non-current assets | 594 491 | 583 748 | 1.84% |
| Current assets | 342 129 | 370 211 | -7.59% |
| Cash and cash equivalents | 66 933 | 196 488 | -65.94% |
| Liabilities and liability provisions | 321 733 | 297 629 | 8.10% |
| Total current liabilities | 293 073 | 257 088 | 14.00% |
| Net assets | 614 887 | 656 330 | -6.31% |
| Share capital (in PLN) | 15 180 | 15 115 | 0.43% |
| Current-period earnings per share, annualised (in PLN) | 1.30 | 1.83 | -28.96% |

(amounts in PLN 000s, unless otherwise stated)

**Operational performance and ability to meet liabilities**

| Item | Q1-Q3 2014 | Q1-Q3 2013 |
|---|---|---|
| Return on invested capital<br>*(profit for the period / equity at the end of the period) in %* | 2.84% | 2.07% |
| Return on assets<br>*(profit for the period / assets at the end of the period) in %* | 1.87% | 1.43% |
| Sales margin<br>*(profit from sales for the period / revenue from sales for the period) in %* | 28.46% | 24.49% |
| EBITDA margin<br>*(EBITDA / revenue from sales for the period) in %* | 4.09% | 2.98% |
| Operating margin<br>*(operating profit for the period / revenue from sales for the period) in %* | 1.68% | 0.88% |
| Gross margin<br>*(profit before tax for the period / revenue from sales for the period) in %* | 1.74% | 1.15% |
| Net margin<br>*(profit for the period / revenue from sales for the period) in %* | 1.19% | 0.93% |

**Turnover cycles for key components of working capital**

| Methodology | Q3 2014 | Q3 2013 |
|---|---|---|
| Inventory turnover days<br>*(inventory / value of goods for resale and materials sold*273)* | 46.5 | 31.5 |
| Receivables turnover days<br>*(current receivables / revenue from sales*273)* | 11.6 | 7.9 |
| Payables turnover days<br>*([current liabilities - current borrowings] / value of goods for resale and materials sold*273)* | 77.3 | 64.8 |
| Asset productivity<br>*(revenue from sales / total assets)* | 1.5 | 1.5 |
| Non-current asset productivity<br>*(revenue from sales / non-current assets)* | 2.3 | 2.5 |

During the first three quarters of 2014, inventory turnover extended by 15 days, while payables turnover increased by 12.5 days. Receivables turnover increased by 3.7 days. Such significant changes in current-asset turnover cycles were mainly the result of developing in-house logistics in the retail segment and achievement of procurement targets. The above changes in turnover ratios did not have a substantial impact on asset dynamics.

**Retail segment**

| | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 473 711 | 461 955 | 2.54% |
| Profit on sales | 130 036 | 111 528 | 16.59% |
| EBITDA | (4 280) | (12 641) | - |
| Operating result | (12 262) | (19 625) | - |
| Gross profit | (8 287) | (20 790) | - |
| **Net segment result** | **(9 394)** | **(20 474)** | **-** |

(amounts in PLN 000s, unless otherwise stated)

| | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 1 432 968 | 1 422 801 | 0.71% |
| Profit on sales | 403 773 | 343 023 | 17.71% |
| EBITDA | 20 908 | 5 628 | 271.50% |
| Operating result | (2 524) | (15 417) | - |
| Gross profit | (6 452) | (18 653) | - |
| **Net segment result** | (9 207) | (18 887) | - |

Retail-segment revenue in Q3 2014 went up by 2.54% and cumulatively for Q1-Q3 2014 - slightly down, by 0.17% (resulting from a decrease in revenue in Q1 2014).

In Q3 2014, the retail segment posted a PLN 9 394 000 loss, resulting from lower margins in the quarter. Gross margin for the third quarter of 2014 was down 1.3pp, or PLN 10 895 000, from the previous quarter. Sales are historically lower in the third quarter than in the second due to seasonality (summer holidays) and changes in sales structure (larger share of cheap assortment, with higher transport costs, in particular water, beverages, juices). In addition, third-quarter margins were affected by promotional campaigns. The third-quarter result was also affected by higher operating expenses (as % of revenue): Q3 2014 - 28.9%, Q2 2014 - 26.4%.

In 2014, revenue from the central management segment (at Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue, was assigned to the retail segment (revenue - PLN 2 003 000, costs - PLN 529 000, net result - PLN 1 194 000).

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

- In Q3 2014, the retail segment incurred a PLN 864 000 one-off expense connected with reducing the surface area of one store (Delima), while cumulatively for Q1-Q3 2014 one-off expenses, concerning reduction in the surface area of two stores, amounted to PLN 1 644 000,
- In Q1-Q3 2014, the retail segment released a PLN 6 371 000 provision for onerous contracts (Delima stores) and a PLN 1 211 000 deferred income tax asset,
- In Q1-Q3 2014, the retail segment incurred a PLN 1 381 000 one-off expense connected with the closure of one store (Delima),
- In Q3 2014, the retail segment incurred PLN 828 000 in costs connected with launching the franchise format, and PLN 2 376 000 overall in Q1-Q3 2014,
- In Q1-Q3 2014, the retail segment incurred costs connected with the merger of retail companies (Maro-Markety Sp. z o.o., Społem Tychy S.A. and Pilawa Sp. z o.o.) of PLN 1 033 000,
- In Q3 2014, the retail segment incurred costs relating to the remodelling, rebranding and implementing new floorplans at stores, which the company estimated at PLN 1 700 000, including PLN 800 000 in lost margin, and for the first three quarters of 2014: PLN 4 200 000, including PLN 1 500 000 in lost margin,
- In Q1-Q3 2013, the Group recorded PLN 3 111 000 in logistics costs, recognised as selling costs (in-house logistics were launched in July 2013), and overall in H1 2013 - PLN 3 128 000 (in-house logistics launched in July 2013),
- In Q3 2014, the retail segment incurred a PLN 1 715 000 one-off expense connected with closure of one supermarket,

In Q3 2014, Stokrotka Sp. z o.o. continued processes aimed at optimising its in-house logistics system.

(amounts in PLN 000s, unless otherwise stated)

Key information on logistics performance:

| | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Total Stokrotka store deliveries during the period | 352 878 | 406 919 | 374 197 | 388 154 | 386 554 |
| Stokrotka store deliveries using in-house logistics during the period | 165 010 | 276 759 | 296 490 | 326 974 | 321 745 |
| % of Stokrotka store supply going through in-house logistics (supply of Stokrotka stores with products through in-house logistics / overall product supply for Stokrotka stores | 46.76% | 68.01% | 79.23% | 84.24% | 83.23% |
| Total value of products delivered to the Group's store via in-house logistics | 166 710 | 282 381 | 300 932 | 328 409 | 324 328 |
| Logistics costs* | 15 219 | 20 384 | 19 411 | 20 296 | 20 550 |
| Logistics revenue | 3 | 35 | 119 | 236 | 420 |
| Net logistics costs | 15 216 | 20 349 | 19 292 | 20 060 | 20 130 |
| including: - cost of warehouse maintenance | 1 983 | 2 363 | 2 293 | 2 601 | 2 545 |
| - cost of product handling logistics | 6 104 | 8 057 | 8 128 | 8 726 | 8 493 |
| - cost of transport | 6 820 | 9 544 | 8 687 | 8 555 | 8 886 |
| - general costs* | 309 | 385 | 184 | 178 | 206 |
| Logistics cost ratio *(logistics costs / value of products delivered by in-house logistics)* | 9.13% | 7.21% | 6.41% | 6.11% | 6.21% |
| Revenue from sales | 473 018 | 470 774 | 468 347 | 489 368 | 473 248 |
| Cost of sales | 356 732 | 350 568 | 336 406 | 349 114 | 343 674 |
| Gross sales margin | 116 286 | 120 206 | 131 941 | 140 254 | 129 574 |
| Gross sales margin (in %) *(result on sales / revenue from sales)* | 24.58% | 25.53% | 28.17% | 28.66% | 27.38% |

*/ not including supply chain management costs, which are typically not included in logistics costs.

The Company has reached the planned level of supplies going through in-house logistics. The remaining 15-20% constitutes regional products, frozen foods and baked goods - delivered directly by producers and suppliers.
Logistics cost ratio - showing improving logistics performance - was up 0.1% in the third quarter of 2014, resulting from the lower value of products distributed through in-house logistics over the summer season (a lower value per pallet, with a comparable volume of pallets distributed).

**Cash conversion cycle in the retail segment**

| | Q3 2014 | Q2 2014 | Q3 2013 |
|---|---|---|---|
| Inventory turnover days<br>*(inventory / value of goods for resale and materials sold*90)* | 46.9 | 46.6 | 32.6 |
| Receivables turnover days<br>*(trade receivables / revenue from sales*90)* | 5.8 | 6.7 | 4.5 |
| Payables turnover days<br>*(trade payables / value of goods and materials sold*90)* | 61.1 | 62.7 | 53.4 |
| Cash conversion cycle<br>*(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)* | -8.4 | -9.4 | -16.3 |

Comparing with Q3 2013, inventory turnover in the third quarter of 2014 increased by 14.3 days and payables turnover by 7.8 days, resulting from a higher share of in-house logistics in overall store supplies, achievement of procurement targets and expansion of the non-food offering. Receivables turnover increased by 1.3 days. Changes in working capital turnover resulted in the cash conversion cycle decreasing by 7.6 days.

(amounts in PLN 000s, unless otherwise stated)

### Stokrotka stores

| | Q3 2014 | Q3 2013 |
|---|---|---|
| **Number of stores at the beginning of period** | **241** | **203** |
| - stores opened | 6 | 2 |
| - stores shut-down*/ | 1 | 1 |
| - stores acquired by Stokrotka through the merger of retail companies | | |
| **Number of stores at the end of period, including:** | **246** | **204** |
| - own supermarkets | 217 | 204 |
| - own markets | 26 | |
| - franchise stores | 3 | |
| Average total store surface - stores opened (in sqm) | 477 | 1 220 |
| Capex on own stores opened | 3 543 | 3 710 |

*/ Six stores acquired by Stokrotka Sp. z o.o. as a result of the merger of retail companies, with sales floor of less than 150 sqm, were shut down in Q1 2014.

As at the end of the third quarter of 2014, the retail segment comprised 246 retail stores, compared with 204 at the end of Q3 2013. Six new stores were opened in Q3 2014: 4 own stores, 2 franchise stores and one own store was closed down.

### Margins at Stokrotka stores

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

Data based on 194 Stokrotka stores open as of the end of 2012.
* EBITDA inclusive of logistics costs
** Logistics costs adjusted for non-effectiveness in Q3 2013

Store profitability at EBITDA level, inclusive of logistics costs, on a like-for-like basis, was higher than last year. EBITDA for the first three quarters of 2014 was PLN 7.3 million, 0.7pp, higher than in the same period last year. Improved store profitability results from better product procurement terms.

### Central-management and marketing costs at Stokrotka

| Period | Central-management costs as % of revenue | Marketing costs as % of revenue |
|---|---|---|
| Q3 2014 | 2.3 | 1.3 |
| Q2 2014 | 2.5 | 1.0 |
| Q1 2014 | 2.7 | 1.0 |
| Q4 2013 | 2.5 | 1.1 |
| Q3 2013 | 2.4 | 1.7 |
| Q2 2013 | 2.3 | 1.1 |
| Q1 2013 | 2.3 | 0.9 |

Costs as % of revenue

(amounts in PLN 000s, unless otherwise stated)

Central office costs (as % of revenue) were on the rise from the third quarter of 2013 to the first quarter of 2014, i.e. during the rollout of in-house logistics and related new projects. From Q2 2014, they have been decreasing.
Marketing costs (as % of revenue) remained stable, with periodic divergences (Q3 2013 and Q3 2014).

Performance drivers for the retail segment in the upcoming quarters:

- improved productivity of logistics staff,
- allocation of overhead to a larger volume of distributed products,
- increase in transport effectiveness between the central hub and regional warehouses,
- reduction of product and packaging losses and deficits in warehouses and stores,
- optimisation of inventory levels,
- further reduction in central management costs,
- improvement in product procurement terms,
- increase in the share of own-brand sales and margins,
- more competitively priced product offering,
- reduction in marketing costs as % of revenue,
- higher productivity of store personnel.

**Property segment**

| | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 17 498 | 16 523 | 5.90% |
| EBITDA | 10 458 | 8 907 | 17.41% |
| Operating result | 7 458 | 6 188 | 20.52% |
| Gross profit | 7 135 | 5 117 | 39.44% |
| **Net segment result** | **5 975** | **5 117** | **16.77%** |

| | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 52 462 | 49 854 | 5.23% |
| EBITDA | 31 033 | 30 890 | 0.46% |
| Operating result | 21 938 | 22 717 | -3.43% |
| Gross profit | 21 012 | 18 777 | 11.90% |
| **Net segment result** | 17 757 | 18 777 | **-5.43%** |

Property-segment revenue grew 5.90% in Q3 2014 and 5.23% in Q1-Q3 2014.
The segment's result was up 16.77% on the comparative period in Q3 2014 and down 5.43% on the comparative period in Q1-Q3 2014.
Segment finance costs in Q3 2014 amounted to PLN 435 000, compared with PLN 1 091 000 in Q3 2013. Finance costs in Q1-Q3 2014 were PLN 1 376 000, compared with PLN 4 056 000 in Q1-Q3 2013.
In Q3 2014, the property segment posted a PLN 532 000 gain on disposal of properties, compared with a PLN 674 000 loss in Q3 2013. In Q1-Q3 2014, the result on property sales was PLN 1 175 000, while in the comparative period it was PLN 2 392 000.
Furthermore, a change in tax regulations, concerning taxation of partnerships limited by shares in 2014, resulted in the property segment posting PLN 1 217 000 in corporate income tax in Q3 2014 and PLN 3 255 000 in Q1-Q3 2014.

| | Q3 2014 | Q3 2013 |
|---|---|---|
| Number of properties at the end of period | 94 | 95 |
| including: properties in progress | 11 | 12 |
| operating properties | 83 | 83 |
| including: retail properties | 78 | 78 |

(amounts in PLN 000s, unless otherwise stated)

| | | |
|---|---|---|
| other properties | 5 | 5 |
| average monthly net operating income from leasable facilities* | 3 450 | 3 490 |
| including: retail properties | 3 425 | 3 315 |
| leasable area of retail facilities (sqm) | 91 756 | 91 095 |
| including: related lessees | 56 222 | 56 556 |
| other lessees | 35 534 | 34 539 |
| average lease rate (PLN per sqm) | 43.2 | 41.5 |
| including: related lessees | 43.7 | 43.0 |
| other lessees | 42.4 | 39.0 |

* 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

| | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 8 428 | 8 057 | 4.60% |
| EBITDA | 3 913 | 3 405 | 14.92% |
| Operating result | 3 634 | 2 983 | 21.82% |
| Gross profit | 3 714 | 3 045 | 21.97% |
| **Net segment result** | **3 003** | **2 446** | **22.77%** |

| | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 26 654 | 23 501 | 13.42% |
| EBITDA | 9 139 | 8 318 | 9.87% |
| Operating result | 8 265 | 7 038 | 17.43% |
| Gross profit | 8 560 | 7 351 | 16.45% |
| **Net segment result** | 6 911 | 5 914 | **16.86%** |

| | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Revenue from sale of services | 7 071 | 7 222 | -2.10% |
| *including: external* | *4 805* | *5 066* | -5.15% |
| Revenue from sale of goods and materials | 1 358 | 834 | 62.80% |
| *including: external* | *125* | *56* | 122.39% |
| Total revenue | 8 429 | 8 056 | 4.62% |
| *including: external* | *4 930* | *5 122* | -3.75% |

| | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Revenue from sale of services | 20 210 | 20 184 | 0.13% |
| *including: external* | *13 764* | *14 061* | -2.11% |
| Revenue from sale of goods and materials | 6 444 | 3 317 | 94.31% |
| *including: external* | *2 549* | *788* | 223.26% |
| Total revenue | 26 654 | 23 501 | 13.42% |
| *including: external* | *16 312* | *14 849* | 9.86% |

IT-segment revenue was up 4.60% on the comparative period in Q3 2014 and 13.42% in Q1-Q3 2014.

(amounts in PLN 000s, unless otherwise stated)

The segment's result was up 22.77% on the comparative period in Q3 2014 and 16.86% in Q1-Q3 2014.
In Q3 2014, external revenue constituted 58.49% of total revenue, compared with 63.58% in Q3 2013. In Q1-Q3 2014, external revenue accounted for 61.20% of total revenue, compared with 63.19% in the first three quarters of 2013.

**Central management segment**

| | Q3 2014 | Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 945 | 1 631 | -42.06% |
| EBITDA | (415) | (413) | - |
| Operating result | (693) | (837) | - |
| Gross profit | 1 110 | 2 118 | -47.59% |
| **Net segment result** | **877** | **1 766** | **-50.34%** |

| | Q1-Q3 2014 | Q1-Q3 2013 | % |
|---|---|---|---|
| Segment revenue | 2 223 | 5 489 | -59.50% |
| EBITDA | (1 109) | (1 254) | - |
| Operating result | (1 955) | (2 536) | - |
| Gross profit | 10 934 | 14 022 | -22.02% |
| **Net segment result** | 10 088 | 12 730 | **-20.75%** |

The decrease in the central management segment's revenue in 2014 resulted from carving out an organised part of enterprise from Emperia Holding S.A. - the property segment, covering five properties owned by the Company - and its inclusion in the property segment (revenue: PLN 6 020 000, net result: PLN 2 682 000), together with the transfer of revenue from onerous contracts, with statistically allocated and accounted costs, to the retail segment (revenue: PLN 2 003 000, net result: PLN 1 194 000).
The segment’s key profit items in both periods were interest and dividend income.
Interest income for the first three quarters of 2014 was PLN 5 575 000, compared with PLN 10 786 000 in Q1-Q3 2013.
Dividend income for the first three quarters of 2014 was PLN 7 566 000, compared with PLN 5 774 000 in Q1-Q3 2013.
In addition, the 2014 result was substantially impacted by the PLN 1 827 000 in amounts awarded in a court dispute with E&Y (details in note 10.6).

## 7.2 Revenue and profit by operating segment

In 2014, the Group operated through the following segments:

1. **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o., alongside revenue from trade intermediation agreements, together with the related costs that have been allocated and settled using a statistical approach, transferred from the central management segment (from Emperia Holding S.A.).

2. **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN; Elpro Development S.A. (formerly P1 Sp. z o.o.) and the property segment, which has been carved out of Emperia Holding S.A.

3. **Central Management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o. (formerly P4 Sp. z o.o.)

(amounts in PLN 000s, unless otherwise stated)

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

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms and are subject to exclusion from the consolidated financial statements.

Emperia Group's operating segments in Q1-Q3 2014:

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Segment revenue | 1 432 968 | 52 462 | 2 223 | 26 654 | 48 297 | **1 466 010** |
| External revenue | 1 432 799 | 16 879 | 20 | 16 312 | - | **1 466 010** |
| Inter-segment revenue | 169 | 35 583 | 2 203 | 10 342 | 48 297 | - |
| Total segment costs | (1 432 534) | (31 234) | (4 660) | (18 454) | (47 374) | **(1 439 508)** |
| Profit (loss) on sales | 434 | 21 228 | (2 437) | 8 200 | 923 | **26 502** |
| Result on other operating activities | (2 958) | 710 | 482 | 65 | 185 | **(1 886)** |
| Result on financing activities | (3 928) | (926) | 12 889 | 295 | 7 403 | **926** |
| Gross result | (6 452) | 21 012 | 10 934 | 8 560 | 8 511 | **25 542** |
| Tax | (2 754) | (3 255) | (846) | (1 648) | (436) | **(8 068)** |
| Share of the profit of equity-accounted investees | - | - | - | - | - | - |
| **Net segment result** | (9 207) | 17 757 | 10 088 | 6 911 | 8 076 | **17 474** |

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Segment assets / liabilities | 426 996 | 1 257 269 | 540 268 | 19 931 | 1 307 844 | **936 620** |
| Goodwill | 39 200 | 12 844 | - | - | - | **52 044** |

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Capital expenditures | (41 832) | (5 089) | (2 810) | (1 117) | (686) | **(50 162)** |
| Depreciation / amortisation | (23 432) | (9 095) | (846) | (874) | 1 028 | **(35 275)** |

Emperia Group's operating segments in Q1-Q3 2013:

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Segment revenue | 1 422 801 | 49 854 | 5 489 | 23 501 | 45 869 | **1 455 776** |
| External revenue | 1 421 513 | 16 940 | 2 475 | 14 848 | - | **1 455 776** |
| Inter-segment revenue | 1 288 | 32 914 | 3 014 | 8 652 | 45 868 | - |
| Total segment costs | (1 437 363) | (28 621) | (8 299) | (16 539) | (47 647) | **(1 443 175)** |
| Profit (loss) on sales | (14 562) | 21 233 | (2 810) | 6 962 | (1 778) | **12 601** |
| Result on other operating activities | (855) | 1 484 | 274 | 76 | 751 | **228** |
| Result on financing activities | (3 236) | (3 940) | 16 558 | 313 | 5 773 | **3 922** |
| Gross result | (18 653) | 18 777 | 14 022 | 7 351 | 4 745 | **16 752** |
| Tax | (234) | - | (1 292) | (1 437) | 188 | **(3 151)** |
| Share of the profit of equity-accounted investees | - | - | - | - | - | - |
| **Net segment result** | **(18 887)** | **18 777** | **12 730** | **5 914** | **4 934** | **13 601** |

(amounts in PLN 000s, unless otherwise stated)

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Segment assets / liabilities | 408 824 | 724 545 | 661 027 | 19 513 | 859 950 | 953 959 |
| Goodwill | 36 342 | 12 844 | - | - | - | 49 186 |

| | Retail | Property | Central management | IT | Consolidation exclusions | Total |
|---|---|---|---|---|---|---|
| Capital expenditures | (17 807) | (5 148) | (1 271) | (1 961) | (833) | (25 354) |
| Depreciation / amortisation | (21 045) | (8 173) | (1 282) | (1 280) | (1 253) | (30 527) |

## 7.3 Effects of changes in group structure

All changes in the Group's structure are presented in detail in points 6.1 and 6.2.10

## 7.4 Management's position regarding previously published forecasts

The Management Board of Emperia Holding S.A. did not publish forecasts for 2014.

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

| Shareholders | Shares held, as at report publication date | % in share capital | % change | Shares held, as at the date on which the previous periodic report was published | % in share capital as at the date on which the previous period report was published | Number of votes at general meeting, as at report publication date | % of votes at general meeting at report publication date |
|---|---|---|---|---|---|---|---|
| ALTUS TFI | 1 709 678 | 11.26% | - | 1 709 678 | 11.31% | 1 709 678 | 13.06% |
| IPOPEMA TFI | 1 433 437 | 9.44% | - | 1 433 437 | 9.48% | 1 433 437 | 10.95% |
| ING TFI | 1 390 123 | 9.16% | - | 1 390 123 | 9.20% | 1 390 123 | 10.62% |
| AXA OFE | 891 992 | 5.88% | - | 891 992 | 5.90% | 891 992 | 6.81% |

As of the date on which this report was prepared, Emperia Holding S.A. and subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) held a total of 2 087 395 shares in the Issuer, entitling to 2 087 395 (13.75%) votes at the Issuer's general meeting and constituting 13.75% of the Issuer's share capital.

On 9 September 2014, Emperia Holding S.A. introduced to stock-market trading 64 428 ordinary bearer shares series P. Information on this subject is presented in point 6.2.10 a).

(amounts in PLN 000s, unless otherwise stated)

## 7.6 Changes in shareholding by Management Board and Supervisory Board members

| Management Board members | Shares as at 30 September 2014 | % in share capital | % change | Shares held, as at the date on which the previous quarterly report was published | % in share capital as at the date on which the previous quarterly report was published |
|---|---|---|---|---|---|
| Dariusz Kalinowski | 34 647 | 0.23% | 76,35% | 19 647 | 0.13% |
| Cezary Baran | 420 | 0.003% | - | - | - |

| Supervisory Board members | Shares as at 30 September 2014 | % in share capital | % change | Shares held, as at the date on which the previous quarterly report was published | % in share capital as at the date on which the previous quarterly report was published |
|---|---|---|---|---|---|
| Artur Kawa | 15 000 | 0.10% | - | - | - |

## 7.7 Information regarding on-going judicial proceedings

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

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

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

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

## 7.8 Significant related-party transactions

In Q3 2014, Emperia Holding S.A. did not execute any significant transactions with related parties other than transactions in the ordinary course of business on market terms.

All inter-group mergers in Q3 2014 are presented in point 6.2.10. Short-term bonds were issued as part of the Group's cash flow management, as described in note 7.14.5.

## 7.9 Credit facilities, loans, sureties and guarantees

In Q3 2014, the parent, Emperia, did not issue new credit sureties for subsidiaries such as would exceed 10% of the Issuer's equity. Information concerning guarantees may be found in note 7.14.7.

## 7.10 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

At the end of the reporting period, the Group did not face risk connected with currency options.

## 7.11 Extraordinary factors and events having an impact on annual financial performance

In Q3 2014, there were no atypical factors and events other than those presented in note 7.1.

## 7.12 Factors having an impact on the results to be achieved over the perspective of at least the next quarter

**External:**

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

**Internal:**

a) Business process optimisation - will lead to better operating performance and higher management quality in all segments
b) Implementation of a new strategy in the property segment and property investments
c) Internal cost control policy

d) Continued effectiveness improvements in in-house logistics within the retail segment
e) Development of a franchise network concept under the Stokrotka brand

## 7.13 Changes in the Issuer's management and supervisory board members

**Management Board**

In Q3 2014, the composition of the Management Board of Emperia Holding S.A. did not change.

Composition of Emperia Holding S.A.'s Management Board as at 30 September 2014:

**Dariusz Kalinowski** – President of the Management Board; Graduated from the University of Szczecin, Economics Faculty. MBA from the European University Centre for Management Studies in Switzerland. CEO, managing director, Emperia Holding S.A.

**Cezary Baran** – Vice-President of the Management Board, Finance Director; Graduate of the Marie Curie-Skłodowska University in Lublin, Economics Faculty. Investment adviser licence no. 241. Vice-president, finance director, Emperia Holding S.A.

**Supervisory Board**

The composition of Emperia Holding S.A.'s Supervisory Board did not change during Q3 2014.

Composition of Emperia Holding S.A.'s Supervisory Board as at 30 September 2014:

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

## 7.14 Other significant information and events

### 7.14.1 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.

(amounts in PLN 000s, unless otherwise stated)

### 7.14.2 Production seasonality and cyclicality

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

### 7.14.3 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 7.11.

### 7.14.4 Type and amount of changes in estimated amounts that 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 2014 | Change in 2013 |
|---|---|---|
| **Non-current** | | |
| As at the beginning of period | 1 159 | 1 481 |
| *Increases / decreases during the period* | - | (322) |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - |
| **As at the end of period** | **1 159** | **1 159** |
| **Current** | | |
| As at the beginning of period | 7 200 | 5 111 |
| *Increases / decreases during the period* | (1 547) | 2 089 |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - |
| **As at the end of period** | **5 653** | **7 200** |

| Other provisions | Change in Q1-Q3 2014 | Change in 2013 |
|---|---|---|
| **Non-current** | | |
| As at the beginning of period | 30 432 | 37 808 |
| *Increases / decreases during the period* | (9 752) | (7 376) |
| *Increases / decreases during the period as a result of acquisitions* | - | - |
| As at the end of period | **20 680** | **30 432** |
| **Current** | | |
| As at the beginning of period | 11 849 | 9 298 |
| *Increases / decreases during the period* | (339) | 2 551 |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - |
| As at the end of period | **11 510** | **11 849** |

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

**Issued bonds**

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

Subsidiary ELPRO EKON Sp. z o.o. S.K.A. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by ELPRO EKON Sp. z o.o. S.K.A. after the third quarter and the first three quarters of 2014 and 2013:

(amounts in PLN 000s, unless otherwise stated)

| Issue and buy-back of bonds in Q3 2014 | Total | External issuance | Emperia Holding S.A. | Infinite Sp. z o.o. | P3 EKON Sp. z o.o. S.K.A | P5 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **37 000** | **-** | **37 000** | - | **-** | - |
| *Issue of bonds* | 107 000 | - | 107 000 | - | - | - |
| *Buy-back of bonds* | (109 000) | - | (109 000) | - | - | - |
| **As at the end of period** | **35 000** | **-** | **35 000** | **-** | **-** | **-** |

| Issue and buy-back of bonds in Q1-Q3 2014 | Total | External issuance | Emperia Holding S.A. | Infinite Sp. z o.o. | P3 EKON Sp. z o.o. S.K.A | P5 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **20 000** | **-** | **3 500** | **11 000** | **-** | **5 500** |
| *Issue of bonds* | *300 000* | | *300 000* | - | - | - |
| *Buy-back of bonds* | (285 000) | | *(268 500)* | *(11 000)* | - | *(5 500)* |
| **As at the end of period** | **35 000** | | **35 000** | **-** | **-** | **-** |

| Issue and buy-back of bonds in Q3 2013 | Total | External issuance | Emperia Holding S.A. | Infinite Sp. z o.o. | P3 EKON Sp. z o.o. S.K.A | P5 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **150 000** | **-** | **93 000** | **6 000** | **46 500** | **4 500** |
| *Issue of bonds* | *450 000* | - | *270 500* | *20 000* | *144 500* | *15 000* |
| *Buy-back of bonds* | *(450 000)* | - | *(275 500)* | *(18 500)* | *(141 500)* | *(14 500)* |
| **As at the end of period** | **150 000** | **-** | **88 000** | **7 500** | **49 500** | **5 000** |

| Issue and buy-back of bonds in Q1-Q3 2013 | Total | External issuance | Emperia Holding S.A. | Infinite Sp. z o.o. | P3 EKON Sp. z o.o. S.K.A | P5 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **150 000** | **-** | **101 500** | **7 000** | **41 500** | **-** |
| *Issue of bonds* | *1 350 000* | - | *838 000* | *76 500* | *408 000* | *27 500* |
| *Buy-back of bonds* | *(1 350 000)* | - | *(851 500)* | *(76 000)* | *(400 000)* | *(22 500)* |
| **As at the end of period** | **150 000** | **-** | **88 000** | **7 500** | **49 500** | **5 000** |

| Issue and buy-back of bonds in 2013 | Total | External issuance | Emperia Holding S.A. | Infinite Sp. z o.o. | P3 EKON Sp. z o.o. S.K.A | P5 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **150 000** | **-** | **101 500** | **7 000** | **41 500** | **-** |
| *Issue of bonds* | *1 669 500* | - | *1 011 000* | *106 000* | *509 000* | *43 500* |
| *Buy-back of bonds* | *(1 799 500)* | - | *(1 109 000)* | *(102 000)* | *(550 500)* | *(38 000)* |
| **As at the end of period** | **20 000** | **-** | **3 500** | **11 000** | **-** | **5 500** |

(amounts in PLN 000s, unless otherwise stated)

### b) Stokrotka Sp. z o.o.

Subsidiary Stokrotka Sp. z o.o. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by Stokrotka Sp. z o.o. after the third quarter and the first three quarters of 2014 and 2013:

| Issue and buy-back of bonds in Q3 2014 | Total | External issuance | Emperia Holding S.A. | P3 EKON Sp. z o.o. S.K.A | Infinite Sp. z o.o. |
|---|---|---|---|---|---|
| **As at the beginning of period** | **114 000** | **-** | **114 000** | **-** | **-** |
| *Issue of bonds* | *362 000* | - | *351 000* | *6 000* | *5 000* |
| *Buy-back of bonds* | *(355 000)* | - | *(346 500)* | *(6 000)* | *(2 500)* |
| **As at the end of period** | **121 000** | **-** | **118 500** | **-** | **2 500** |

| Issue and buy-back of bonds in Q1-Q3 2014 | Total | External issuance | Emperia Holding S.A. | P3 EKON Sp. z o.o. S.K.A | Infinite Sp. z o.o. |
|---|---|---|---|---|---|
| **As at the beginning of period** | **128 000** | **-** | **128 000** | **-** | **-** |
| *Issue of bonds* | *917 000* | - | *906 000* | *6 000* | *5 000* |
| *Buy-back of bonds* | *(924 000)* | - | *(915 500)* | *(6 000)* | *(2 500)* |
| **As at the end of period** | **121 000** | **-** | **118 500** | **-** | ***2 500*** |

| Issue and buy-back of bonds in Q3 2013 | Total | External issuance | Emperia Holding S.A. | P3 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|
| **As at the beginning of period** | **97 000** | **-** | **97 000** | **-** |
| *Issue of bonds* | *307 000* | - | *307 000* | - |
| *Buy-back of bonds* | *(317 000)* | - | *(317 000)* | - |
| **As at the end of period** | **87 000** | **-** | **87 000** | **-** |

| Issue and buy-back of bonds in Q1-Q3 2013 | Total | External issuance | Emperia Holding S.A. | P3 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|
| **As at the beginning of period** | **92 000** | **-** | **92 000** | **-** |
| Issue of bonds | *883 000* | - | *882 000* | *1 000* |
| Buy-back of bonds | *(888 000)* | - | *(887 000)* | *(1 000)* |
| **As at the end of period** | **87 000** | **-** | **87 000** | **-** |

| Issue and buy-back of bonds in 2013 | Total | External issuance | Emperia Holding S.A. | P3 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|
| **As at the beginning of period** | **92 000** | **-** | **92 000** | **-** |
| Issue of bonds | *1 219 000* | - | *1 218 000* | *1 000* |
| Buy-back of bonds | *(1 183 000)* | - | *(1 182 000)* | *(1 000)* |
| **As at the end of period** | **128 000** | **-** | **128 000** | **0** |

### c) Elpro Development S.A. (formerly P1 Sp. z o.o.)

Subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 200 000 000. Issue and buy-back of bonds (presented at par values) by Elpro Development S.A. (formerly P1 Sp. z o.o.) after the third quarter and the first three quarters of 2014 and 2013:

| Issue and buy-back of bonds in Q3 2014 | Total | External issuance | Emperia Holding S.A. | P5 EKON Sp. z o.o. S.K.A | P3 EKON Sp. z o.o. S.K.A | Infinite Sp. z o.o. |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **156 000** | **-** | **-** | **56 000** | **94 000** | **6 000** |
| *Issue of bonds* | *486 000* | - | - | *168 000* | *297 000* | *21 000* |
| *Buy-back of bonds* | *(479 000)* | - | - | *(168 000)* | *(291 000)* | *(20 000)* |
| **As at the end of period** | **163 000** | **-** | **-** | **56 000** | **100 000** | **7 000** |

| Issue and buy-back of bonds in Q1-Q3 2014 | Total | External issuance | Emperia Holding S.A. | P5 EKON Sp. z o.o. S.K.A | P3 EKON Sp. z o.o. S.K.A | Infinite Sp. z o.o. |
|---|---|---|---|---|---|---|
| **As at the beginning of period** | **172 000** | **-** | **21 000** | **49 000** | **102 000** | **-** |
| *Issue of bonds* | *1 282 000* | - | - | *445 000* | *766 000* | *71 000* |
| *Buy-back of bonds* | *(1 291 000)* | - | *(21 000)* | *(438 000)* | *(768 000)* | *(64 000)* |
| **As at the end of period** | **163 000** | **-** | **-** | **56 000** | **100 000** | **7 000** |

Elpro Development S.A. (formerly P1 Sp. z o.o.) did not issue bonds in Q1-Q3 2013.

| Issue and buy-back of bonds in 2013 | Total | External issuance | Emperia Holding S.A. | P5 EKON Sp. z o.o. S.K.A | P3 EKON Sp. z o.o. S.K.A |
|---|---|---|---|---|---|
| **As at the beginning of period** | **-** | **-** | | **-** | **-** |
| *Issue of bonds* | *233 900* | - | *82 900* | *49 000* | *102 000* |
| *Buy-back of bonds* | *(61 900)* | - | *(61 900)* | - | - |
| **As at the end of period** | **172 000** | **--** | **21 000** | **49 000** | **102 00** |

In addition, on 12 June 2014, the Management Board of Emperia Holding S.A. adopted a resolution on issue by the Company of 114 564 series A bonds. Proposals to purchase them were sent to Millennium DM S.A.

*Debt liabilities as at 30 September 2014:*

| Issuer | Series | Par value (in PLN 000s) | Maturity date | As at 30 September 2014 |
|---|---|---|---|---|
| Stokrotka Sp. z o.o. | 0127* | 118 500 | 2014-10-10 | |
| Stokrotka Sp. z o.o. | 0127* | 2 500 | 2014-10-10 | |
| Elpro Ekon Sp. z o.o. S.K.A. | 0152* | 35 000 | 2014-10-10 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0017* | 7 000 | 2014-10-10 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0017* | 56 000 | 2014-10-10 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0017* | 100 000 | 2014-10-10 | |
| **All bond issuance by the Group** | | | | **-** |
| Other | | | | - |
| **Total debt instrument liabilities** | | | | |
| Current | | | | - |
| Non-current | | | | - |

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

Debt security liabilities as at 31 December 2013

| Issuer | Series | Par value (in PLN 000s) | Maturity date | As at 31 December 2013 |
|---|---|---|---|---|
| Stokrotka Sp. z o.o. | 0114* | 10 000 | 2014-01-24 | |
| Stokrotka Sp. z o.o. | 0115* | 118 000 | 2014-01-24 | |
| Elpro Ekon Sp. z o.o. S.K.A. | 0144* | 3 500 | 2014-01-24 | |
| Elpro Ekon Sp. z o.o. S.K.A. | 0144* | 11 000 | 2014-01-24 | |
| Elpro Ekon Sp. z o.o. S.K.A. | 0144* | 5 500 | 2014-01-24 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0004* | 21 000 | 2014-01-24 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0002* | 49 000 | 2014-01-24 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0004* | 51 000 | 2014-01-24 | |
| Elpro Development S.A. (formerly P1 Sp. z o.o.) | 0005* | 51 000 | 2014-01-24 | |
| **All bond issuance by the Group** | | | | **-** |
| Other | | | | - |
| **Total debt instrument liabilities** | | | | |
| Current | | | | - |
| Non-current | | | | - |

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

### 7.14.6 Paid and received dividends

Dividend was not paid out in Q3 2014.

### 7.14.7 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.

| Changes in off-balance sheet liabilities in Q1-Q3 2014 | Credit facilities | Bank guarantees | Security interests |
|---|---|---|---|
| ***Mortgages*** | | | |
| As at the beginning of period | - | - | - |
| *Increases during the period* | - | - | - |
| *Decreases during the period* | - | - | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | - | - | - |
| ***Transfer of ownership / pledge / assignment of current assets*** | | | |
| As at the beginning of period | - | 19 939 | - |
| *Increases during the period* | - | - | - |
| *Decreases during the period* | - | (4 939) | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | - | **15 000** | - |
| ***Transfer of ownership / pledge / assignment of non-current assets*** | | | |
| As at the beginning of period | - | - | - |
| *Increases during the period* | - | - | - |
| *Decreases during the period* | - | - | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | - | - | - |

(amounts in PLN 000s, unless otherwise stated)

| | | | |
|---|---|---|---|
| ***Guarantees*** | | | |
| As at the beginning of period | - | 43 000 | 17 096 |
| *Increases during the period* | - | 4 500 | 12 250 |
| *Decreases during the period* | - | - | (7 000) |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | **-** | **47 500** | **22 346** |

| Changes in off-balance sheet liabilities during 2013 | Credit facilities | Bank guarantees | Security interests |
|---|---|---|---|
| ***Mortgages*** | | | |
| As at the beginning of period | - | - | - |
| *Increases during the period* | - | - | - |
| *Decreases during the period* | - | - | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | **-** | **-** | **-** |
| ***Transfer of ownership / pledge / assignment of current assets*** | | | |
| As at the beginning of period | - | 3 295 | - |
| *Increases during the period* | - | 16 784 | - |
| *Decreases during the period* | - | (140) | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | **-** | **19 939** | **-** |
| ***Transfer of ownership / pledge / assignment of non-current assets*** | | | |
| As at the beginning of period | - | - | - |
| *Increases during the period* | - | - | - |
| *Decreases during the period* | - | - | - |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | **-** | **-** | **-** |
| ***Guarantees*** | | | |
| As at the beginning of period | - | 157 | 251 |
| *Increases during the period* | - | 43 000 | 21 845 |
| *Decreases during the period* | - | (157) | (5 000) |
| *Increases / decreases during the period as a result of acquisitions / disposals* | - | - | - |
| **As at the end of period** | **-** | **43 000** | **17 096** |

#### 7.14.8 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.

| Impairment - recognition and reversal | Change in Q1-Q3 2014 |
|---|---|
| ***Impairment of property, plant and equipment*** | |
| As at the beginning of period | 9 427 |
| *Recognition* | 1 026 |
| *Reversal* | (2 635) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **7 818** |

(amounts in PLN 000s, unless otherwise stated)

| | |
|---|---|
| ***Impairment of receivables*** | |
| As at the beginning of period | 9 944 |
| *Recognition* | 1 748 |
| *Reversal* | (707) |
| *Changes as a result of acquisitions / disposals* | - |
| *Derecognised from statement of profit and loss** | (981) |
| **As at the end of period** | **10 004** |
| ***Impairment of financial assets*** | |
| As at the beginning of period | - |
| *Recognition* | - |
| *Reversal* | - |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **-** |
| ***Impairment of inventory*** | |
| As at the beginning of period | 10 031 |
| *Recognition* | 8 990 |
| *Reversal* | (4 332) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **14 689** |
| ***including: Impairment losses on inventory control*** | |
| As at the beginning of period | 515 |
| *Recognition* | 6 721 |
| *Reversal* | (3 892) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **3 344** |
| ***including: Impairment losses on bonuses*** | |
| As at the beginning of period | 9 516 |
| *Recognition* | 2 269 |
| *Reversal* | (440) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **11 345** |

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

| Impairment - recognition and reversal | Change in 2013 |
|---|---|
| ***Impairment of property, plant and equipment*** | |
| As at the beginning of period | 8 966 |
| *Recognition* | 477 |
| *Reversal* | (16) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **9 427** |
| ***Impairment of receivables*** | |
| As at the beginning of period | 10 121 |
| *Recognition* | 3 066 |
| *Reversal* | (2 241) |
| *Changes as a result of acquisitions / disposals* | - |
| *Derecognised from statement of profit and loss** | (1 002) |
| **As at the end of period** | **9 944** |
| ***Impairment of financial assets*** | |
| As at the beginning of period | - |
| *Recognition* | - |

| | |
|---|---|
| *Reversal* | - |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | - |
| ***Impairment of inventory*** | |
| As at the beginning of period | 5 504 |
| *Recognition* | 16 612 |
| *Reversal* | (12 085) |
| *Changes as a result of acquisitions / disposals* | - |
| **As at the end of period** | **10 031** |

### 7.14.9 Recognition / reversal of cost restructuring provisions

Did not occur during the reporting period or comparative period.

### 7.14.10 Deferred income tax

| Deferred income tax | Change in Q1-Q3 2014 | Change in 2013 |
|---|---|---|
| ***Deferred income tax assets*** | | |
| As at the beginning of period | 20 053 | 21 148 |
| *Increase* | *1 723* | *3 078* |
| *Decrease* | *(2 044)* | *(4 173)* |
| *Change as a result of acquisition* | - | - |
| **As at the end of period** | **19 732** | **20 053** |

| Deferred income tax | Change in Q1-Q3 2014 | Change in 2013 |
|---|---|---|
| ***Deferred income tax provision*** | | |
| As at the beginning of period | 2 229 | 1 992 |
| *Recognition* | 933 | *3 508* |
| *Reversal* | (173) | *(3 271)* |
| *Change as a result of acquisition* | - | - |
| **As at the end of period** | **2 989** | **2 229** |

### 7.14.11 Financial and operating leasing

**a) Finance lease liabilities**

**Q3 2014**

| Finance lease liabilities | 30 Sep 2014 | |
|---|---|---|
| | Minimum payments | Present value of minimum payments |
| *Within 1 year* | *1 203* | *896* |
| *Within 1 to 5 years* | *3 310* | *2 922* |
| *Within more than 5 years* | - | - |
| **Total** | **4 513** | **3 818** |

(amounts in PLN 000s, unless otherwise stated)

**2013**

| Finance lease liabilities | 31 Dec 2013 | |
|---|---|---|
| | Minimum payments | Present value of minimum payments |
| *Within 1 year* | *1 204* | *804* |
| *Within 1 to 5 years* | *4 212* | *3 636* |
| *Within more than 5 years* | *-* | *-* |
| **Total** | **5 416** | **4 440** |

**b) Operating leasing**

Did not occur during the reporting period or comparative period.

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

**Q3 2014**

| Asset | Term of agreement | As at 30 Sep 2014 | As at 30 Sep 2015 | From 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | | Minimum annual payment | | |
| Property | specified | 61 514 | 117 169 | 467 021 | 583 387 |
| | unspecified | 773 | 2 836 | 11 344 | 14 180 |
| Technical equipment and machinery | specified | 12 | 8 | - | - |
| | unspecified | 66 | 88 | 351 | 439 |
| Means of transport | specified | 5 055 | 6 205 | 24 821 | 31 027 |
| | unspecified | - | - | - | - |
| Other property, plant and equipment | specified | - | - | - | - |
| | unspecified | - | - | - | - |

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

**2013**

| Asset | Term of agreement | As at 31 Dec 2013 | As at 31 Dec 2014 | From 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | | Minimum annual payment | | |
| Property | specified | 74 588 | 110 409 | 437 841 | 545 220 |
| | unspecified | 3 590 | 3 329 | 13 316 | 16 644 |
| Technical equipment and machinery | specified | 12 | 16 | 4 | - |
| | unspecified | 68 | 74 | 276 | 350 |
| Means of transport | specified | 3 517 | 6 353 | 19 173 | 2 663 |
| | unspecified | - | - | - | - |
| Other property, plant and equipment | specified | - | - | - | - |
| | unspecified | - | - | - | - |

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

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

Did not take place in Q3 2014.

#### 7.14.13 Correction of prior-period errors

Did not take place in Q3 2014.

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

Did not take place in Q3 2014.

#### 7.14.15 Charitable work at Emperia Group

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

The Emperia Foundation was established in 2010. It helps out those employees and their loved ones that are faced with difficulties.

The Foundation helps out employees and their families - children, spouses and parents - as well as former employees who are now retired. The Foundation also contributes to the development of children and youth.

The Foundation co-finances medicine purchases and doctor visits as well as covers the costs of rehabilitation and health travel. The Foundation also supports its beneficiaries in obtaining other forms of assistance.

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

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

**Blood drive**

In July 2014, the Group's headquarters hosted the third edition of a blood drive organised by our employees. A special bus equipped with mobile blood drawing equipment was brought in for the occasion, and our employees donated blood right in our car park. The July blood drive was a response to the Centre's appeal to replenish drastically low levels of blood stores which are essential to saving lives. Stokrotka employees immediately responded, and nearly 10% of the headquarters' staff gave blood. Of the 30 people that were examined, 15 proceeded to donate blood, therefore we can say that Stokrotka's blood drive substantially helped to increase inventory at the Blood Donation Centre in Lublin.

**Share-a-Meal Programme**

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


**Environmental protection** 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 in 240 stores, 10 warehouses and the central hub. We serve thousands of customers every day. Given such a large number of people and locations, we implement the following pro-environment initiatives:

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

**Mammobuses**

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

**Student and graduate opportunities**

Miesięczne
Praktyki Bezpłatne

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

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

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

Benefits for interns:

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

In 2013, we hired 15 people who attended unpaid internships.

Letnia Szkoła
Menadżera

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

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

- remuneration
- valuable professional experience
- familiarity with one of the largest FMCG companies
- opportunity to work on business projects under professional supervision
- participation in personalised training

We later hire many of the graduates of these internships.

### 7.14.16 Other significant events

**a) Completion of a buy-back programme at Emperia Holding S.A. by subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.)**

Pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 12 September 2013, subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) purchased Emperia Holding's shares for redemption, in the following blocks:

(amounts in PLN 000s, unless otherwise stated)

| Transaction date | Number of purchased shares | Nominal value of shares | Price per share | Number of votes at Emperia Holding S.A.'s general meeting | % of share capital |
|---|---|---|---|---|---|
| 3 July 2014 | 28 805 | PLN 1 | 59.90 | 28 805 | 0.191% |

At the same time, the Company announced completion of the buyback programme at Emperia Holding S.A. carried out by subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) as a result of having used up the entire amount authorised for this purpose by the general meeting and expiry of the deadline for the buyback programme.

Elpro Development S.A. (formerly P1 Sp. z o.o.) and the Issuer held a total of 1 709 712 shares in the Issuer, entitling to 1 709 712 (11.311%) votes at the Issuer's general meeting and constituting 11.311% of the Issuer's share capital.

**b) Management Board resolution on adoption of a buy-back programme at Emperia Holding S.A. by Elpro Development S.A. (formerly P1 Sp. z o.o.)**

On 3 July 2014, the Management Board of Emperia Holding S.A. passed a resolution on adoption of "Emperia Holding S.A.'s buyback programme carried out by P1 Sp. z o.o., based in Lublin" and decided to enter into an agreement with subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) regarding the further sale of shares to Emperia Holding S.A. Commencement of the Issuer's buyback programme by Elpro Development S.A. (formerly P1 Sp. z o.o.) took place pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 8 April 2014. The funds used to purchase own shares will not exceed PLN 35 million. The programme will be completed no later than on 31 December 2014.

**c) Intra-group bond issuance and redemption**

On 4 July 2014, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development (formerly P1 Sp. z o.o.) issued short-term bonds maturing on 13 August 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 309 million.

On 14 August 2014, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development (formerly P1 Sp. z o.o.) issued short-term bonds maturing on 12 September 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 309 million.

On 12 September 2014, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development (formerly P1 Sp. z o.o.) issued short-term bonds maturing on 10 October 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 319 million.

**d) Purchase of shares in Emperia Holding S.A. by subsidiary Elpro Development (formerly P1 Sp. z o.o.) under Emperia Holding S.A.'s buy-back programme**

Pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory

(amounts in PLN 000s, unless otherwise stated)

Board of 8 April 2014, subsidiary Elpro Development (formerly P1 Sp. z o.o.) purchased Emperia Holding's shares, in the following blocks:

| Transaction date | Number of purchased shares | Nominal value of shares | Price per share | Number of votes at Emperia Holding S.A.'s general meeting | % of share capital |
|---|---|---|---|---|---|
| 23 July 2014 | 26 050 | PLN 1 | 56.43 | 26 050 | 0.172% |
| 1 August 2014 | 19 267 | PLN 1 | 60.15 | 19 267 | 0.127% |
| 13 August 2014 | 31 005 | PLN 1 | 60.04 | 31 005 | 0.205% |
| 27 August 2014 | 32 226 | PLN 1 | 55.57 | 32 226 | 0.213% |
| 10 September 2014 | 22 443 | PLN 1 | 55.27 | 22 443 | 0.148% |
| 24 September 2014 | 27 078 | PLN 1 | 51.75 | 27 078 | 0.178% |

Elpro Development S.A. (formerly P1 Sp. z o.o.) and the Issuer held a total of 1 867 781 shares in the Issuer, entitling to 1 867 781 (12.305%) votes at the Issuer's general meeting and constituting 12.305% of the Issuer's share capital.

**e) Amendment of buy-back programme at Emperia Holding S.A. by subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.)**

On 15 July 2014, the Management Board of Emperia Holding S.A. announced that due to a significantly low liquidity of Emperia Holding S.A. shares, the average daily purchase under Emperia Holding S.A. share buy-back programme by P1 Sp. z o.o., based in Lublin, may - from 16 July 2014 - exceed the 25% threshold. The buy-back of Emperia Holding S.A.'s shares will not exceed 50% of the average daily value.

**f) Performance of the Incentive Programme, 2010 tranche**

On 12 August 2014, Emperia Holding S.A.'s Management Board announced that, pursuant to Resolution 2 of the Company's Extraordinary General Meeting on 4 March 2010 (current report 7/2010 of 5 March 2010), concerning, among others, establishing the principles for the Company's Incentive Programme 2010-2012 (the 'Incentive Programme'), on issue of series A, B and C bonds with pre-emptive rights and on a conditional increase of share capital through issue of shares with exclusion of the existing shareholders' pre-emptive rights, which was subsequently amended through Resolution 2 of the Company's Extraordinary General Meeting on 6 December 2011 and Resolution 18 of the Company's Ordinary General Meeting of 15 May 2012. The Company issued 114 564 series A registered bonds with priority rights to shares (the "Bonds").
The issue was carried out in the manner referred to in art. 9 point 3 of the Act of 29 June 1995 on Bonds (consolidated text: Polish Journal of Laws of 2014 item 730, as amended). Each of the Bonds issued in accordance with the issue terms constitutes a registered security issued in a series, in accordance with art. 5a of the Act on Bonds.
The issue of Bonds was carried out by sending a proposal to purchase bonds by Millennium DM S.A., based in Warsaw, acting as the "Trustee." The Trustee will purchase the Bonds only on behalf of the Authorised Persons participating in the Incentive Programme.
The bond issue objective is to implement the 2010 tranche of the Incentive Programme for members of the Company's Management Board and other top managers at the Company and its subsidiaries, who were entered into the list of Authorised Persons, as approved by the Issuer's Supervisory Board.
The issue consists of 114 564 unsecured, zero-coupon, dematerialised, registered bonds series A. The issue price for one Bond is PLN 0.01 and is equal to its par value. The total par value of the Bonds issued is PLN 1 145.64.
Each of the Bonds entitles the Bondholder to subscribe for one ordinary bearer share series P, with pre-emptive rights in relation to the Company's shareholders.
The issue price of one Share offered under the Incentive Programme shall be the equivalent of the arithmetic average of the Company's closing share price on the Warsaw Stock Exchange for the 90-day period preceding the day on which Resolution no. 2 of the Company's Extraordinary General Meeting of 4 March 2010 was adopted, less 5% and less an

adjustment calculated in the event that the Company pays out a dividend of more than 40% of the consolidated net profit for the previous financial years. The detailed means of calculating the issue price is presented in Resolution no. 2 of the Company's Extraordinary General Meeting of 6 December 2011 The issue price of Series P Shares, calculated as at the date of the Bond issue, is PLN 24.82. A change in the issue price may take place each year after the Company's pays out a dividend.

The pre-emptive right to subscribe for and acquire Series P shares will be available to the Authorised Persons during the period from 1 July 2014 to 30 June 2018.

The Company will buy back the Series A Bonds, in respect to which a Bondholder has exercised the pre-emptive right to subscribe for and acquire Series P shares, no later than 30 days after such Bondholder submits a subscription for the Shares, and in any case no later than by 30 June 2018, through payment of an amount equivalent to the par value.

**g) Buyback and redemption of series A bonds under the Incentive Programme**

On 18 August 2014, Emperia Holding S.A.'s Management Board announced that it received information from Millennium DM S.A. on the buyback of 64 428 series A Bonds with pre-emptive rights to series P Shares. Buyback and redemption of the Bonds by the Company from the Authorised Persons was part of the Incentive Programme. The average unit price per Bond paid was PLN 0.01 and was equal to par value.

**h) Introduction of Emperia Holding S.A.'s shares to trading and change in the structure of its share capital**

On 9 September 2014, the Management Board of Emperia Holding S.A. announced the introduction to stock-market trading of 64 428 ordinary bearer shares series P, with a nominal value of PLN 1 each. Introducing the series P shares to trading is a part of Emperia Holding S.A.'s Management Options Programme. The Company announced via current reports the terms and deadlines for registering the series P shares by the KDPW, and the admission and introduction of the series P shares to stock-market trading.

From 9 September 2014, the Issuer's share capital amounts to PLN 15 179 589 and is divided into 15 179 589 ordinary bearer shares, with a nominal value of PLN 1 each. The total number of voting rights carried by all of the Issuer's outstanding shares is 15 179 589.

**i) Purchase of shares in Emperia Holding S.A. by members of Emperia Holding S.A.'s supervisory board or management board**

On 9 September 2014, the Management Board of Emperia Holding S.A. announced that it received notifications from persons on Emperia Holding S.A.'s supervisory board and management board regarding registration, in their securities accounts, of a total of 30 420 shares of Emperia Holding S.A., series P, purchased under the Management Options Programme. The shares were purchased for PLN 24.82 each.

### 7.14.17 Significant events after the end of the reporting period

**a) Purchase of shares in Emperia Holding S.A. by subsidiary Elpro Development (formerly P1 Sp. z o.o.) under Emperia Holding S.A.'s buy-back programme**

Pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 8 April 2014, subsidiary Elpro Development (formerly P1 Sp. z o.o.) purchased Emperia Holding's shares, in the following blocks:

(amounts in PLN 000s, unless otherwise stated)

| Transaction date | Number of purchased shares | Nominal value of shares | Price per share | Number of votes at Emperia Holding S.A.'s general meeting | % of share capital |
|---|---|---|---|---|---|
| 3 October 2014 | 28 490 | PLN 1 | 51.11 | 28 490 | 0.188% |
| 8 October 2014 | 20 592 | PLN 1 | 49.39 | 20 592 | 0.136% |
| 10 October 2014 | 26 292 | PLN 1 | 51.15 | 26 292 | 0.173% |
| 15 October 2014 | 27 385 | PLN 1 | 49.44 | 27 385 | 0.180% |
| 17 October 2014 | 17 700 | PLN 1 | 48.31 | 17 700 | 0.117% |
| 22 October 2014 | 26 308 | PLN 1 | 47.17 | 26 308 | 0.173% |
| 24 October 2014 | 16 999 | PLN 1 | 45.90 | 16 999 | 0.112% |
| 31 October 2014 | 28 753 | PLN 1 | 50.33 | 28 753 | 0.189% |
| 7 November 2014 | 27 095 | PLN 1 | 49.73 | 27 095 | 0.178% |

Elpro Development S.A. (formerly P1 Sp. z o.o.) and Emperia Holding S.A. held a total of 2 087 395 shares in the Issuer, entitling to 2 087 395 (13.751%) votes at the Issuer's general meeting and constituting 13.751% of the Issuer's share capital.

**b) Buyback and redemption of series A bonds under the Incentive Programme**

On 8 October 2014, Emperia Holding S.A.'s Management Board announced that it received information from Millennium DM S.A. on the buyback of 2 160 series A Bonds with pre-emptive rights to series P Shares. Buyback and redemption of the Bonds by the Company from the Authorised Persons was part of the Incentive Programme. The average unit price paid for the Bonds was PLN 0.01 and was equal to par value.

**c) Intra-group bond issuance and redemption**

On 10 October 2014, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. (formerly P1 Sp. z o.o.) issued short-term bonds maturing on 4 November 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 324 million.

**d) Purchase of shares in Emperia Holding S.A. from subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.)**

On 30 October 2014, the Management Board of Emperia Holding S.A. announced that the Issuer purchased for redemption, with shareholder approval, 1 411 532 ordinary bearer shares of the Issuer, with a nominal value of PLN 1 each, from subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.). The purchased shares constitute 9.299% of the Issuer's share capital and entitle to 1 411 532 (9.299%) votes at the Issuer's general meeting. The average per-share price paid was PLN 65.98.
Following the transaction, the Issuer held 2 031 547 own shares, entitling to 2 031 547 (13.383%) votes at the Issuer's general meeting and constituting 13.383% of the Issuer's share capital. Following the transaction, Elpro Development S.A. (formerly P1 Sp. z o.o.) did not hold any shares of the Issuer.

**e) Preparations for Emperia Holding S.A.'s split-up suspended**

Having analysed the conditions prevailing on the FMCG retail market and considering the unsatisfactory stock market valuations of retail companies, the management board of Emperia Holding S.A. decided on 30 October 2014 to suspend preparations for the company's split-up, which was communicated by the Issuer on 16 January 2014. Given the above, the deadline for completing the split-up procedure has changed.
The new deadline for the on-going procedure will be dependent on an updated assessment of market conditions and any future decisions by the company to participate in the operational and equity consolidation of the retail market.

**f) Buyback and redemption of series A bonds under the Incentive Programme**

On 12 November 2014, Emperia Holding S.A.'s Management Board announced that it received information from Millennium DM S.A. on the buyback of 452 series A Bonds with pre-emptive rights to series P Shares. Buyback and redemption of the Bonds by the Company from the Authorised Persons was part of the Incentive Programme.
The average unit price per Bond paid was PLN 0.01 and was equal to par value.

(amounts in PLN 000s, unless otherwise stated)

# 8. Emperia Holding S.A.'s condensed financial statements

## 8.1 Selected financial data

| Item | SELECTED FINANCIAL DATA (current year) | PLN For the period from 1 Jan 2014 to 30 Sep 2014 | PLN For the period from 1 Jan 2013 to 30 Sep 2013 | EUR For the period from 1 Jan 2014 to 30 Sep 2014 | EUR For the period from 1 Jan 2013 to 30 Sep 2013 |
|---|---|---|---|---|---|
| I. | Net revenue from sale of products, goods and materials | 10 252 | 4 997 | 2 452 | 1 183 |
| II. | Operating profit (loss) | 2 900 | (2 915) | 694 | (690) |
| III. | Profit (loss) before tax | 15 618 | 12 000 | 3 736 | 2 842 |
| IV. | Profit (loss) for the period | 13 838 | 10 708 | 3 310 | 2 536 |
| V. | Net cash flows from operating activities | 14 548 | (592) | 3 480 | (140) |
| VI. | Net cash flows from investing activities | (86 234) | 48 263 | (20 629) | 11 428 |
| VII. | Net cash flows from financing activities | 10 510 | (13 372) | 2 514 | (3 166) |
| VIII. | Total net cash flows | (82 195) | 34 298 | (19 662) | 8 122 |
| IX. | Total assets | 588 088 | 584 016 | 140 843 | 140 822 |
| X. | Liabilities and liability provisions | 4 057 | 3 314 | 972 | 799 |
| XI. | Total non-current liabilities | 697 | 656 | 167 | 158 |
| XII. | Total current liabilities | 3 360 | 2 658 | 805 | 641 |
| XIII. | Equity | 584 031 | 580 702 | 139 871 | 140 023 |
| XIV. | Share capital | 15 180 | 15 115 | 3 635 | 3 645 |
| XV. | Number of shares | 15 179 589 | 15 115 161 | 15 179 589 | 15 115 161 |
| XVI. | Weighted average number of shares | 13 620 284 | 14 344 172 | 13 620 284 | 14 344 172 |
| `XVII. | Profit (loss) per ordinary share, annualised* (in PLN/EUR) | 1.12 | 0.96 | 0.27 | 0.23 |
| XVIII. | Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR) | 1.12 | 0.96 | 0.27 | 0.23 |
| XIX. | Book value per share* (in PLN/EUR) | 42.88 | 40.79 | 10.27 | 9.84 |
| XX. | Diluted book value per share** (in PLN/EUR) | 42.73 | 40.50 | 10.23 | 9.77 |
| XXI. | Declared or paid out dividend per share (in PLN/EUR) | 0.90 | 0.93 | 0.22 | 0.21 |

* 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 2014 (January-September): 13 620 284;
- for Q1-Q3 2013 (January-September): 14 344 172;

**Selected financial data were translated into EUR in the following manner:**

1 Items in the statement of profit and loss and statement of cash flows were 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 Q3 2014 was EURPLN 4.1803 and for Q3 2013: EURPLN 4.2231.

2 Balance sheet items and book value / diluted book value were 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 2014: EURPLN 4.1755; as at 31 December 2013: EURPLN 4.1472.

3 Declared dividend was translated using the average exchange rate published by the National Bank of Poland as at the date of drawing up the financial statements, i.e. as at 30 June 2014 - EURPLN 4.1609, while dividend paid out - using the rate on the dividend payment date, i.e. 26 June 2013: EURPLN 4.3348.

(amounts in PLN 000s, unless otherwise stated)

## 8.2 Emperia Holding S.A.'s condensed statement of financial position

| | 30 Sep 2014 | 30 Jun 2014 | 31 Dec 2013 | 30 Sep 2013 |
|---|---|---|---|---|
| **Non-current assets** | **390 520** | **389 725** | **321 401** | **285 955** |
| Property, plant and equipment | 52 628 | 51 589 | 51 168 | 15 369 |
| Investment properties | - | - | - | - |
| Intangible assets | 1 777 | 2 025 | 3 582 | 3 870 |
| Financial assets | 336 041 | 336 041 | 266 493 | 266 393 |
| Non-current receivables | - | - | 56 | 226 |
| Deferred income tax assets | 73 | 69 | 99 | 97 |
| Other non-current prepayments | 1 | 1 | 3 | - |
| **Current assets** | **197 568** | **194 954** | **262 615** | **296 707** |
| Inventory | - | - | - | - |
| Current receivables | 1 511 | 1 581 | 11 337 | 2 262 |
| Income tax receivables | - | - | - | - |
| Short-term securities | 188 609 | 150 952 | 152 131 | 174 815 |
| Prepayments | 88 | 149 | 83 | 319 |
| Cash and cash equivalents | 7 360 | 42 272 | 89 555 | 107 598 |
| Other financial assets | - | - | 6 497 | 11 713 |
| Assets classified as held for sale | - | - | 3 012 | - |
| **Total assets** | **588 088** | **584 679** | **584 016** | **582 662** |
| **Equity** | **584 031** | **580 577** | **580 702** | **579 233** |
| Share capital | 15 180 | 15 115 | 15 115 | 15 115 |
| Share premium | 551 988 | 549 559 | 549 559 | 549 559 |
| Supplementary capital | 2 526 | 2 526 | 2 526 | 2 526 |
| Management options provision | 2 250 | 3 145 | 3 145 | 3 145 |
| Reserve capital | 63 269 | 63 269 | 63 200 | 63 200 |
| Buy-back provision | - | - | - | - |
| Own shares | (65 020) | (65 020) | (65 020) | (65 020) |
| Retained earnings | 13 838 | 11 983 | 12 177 | 10 708 |
| **Equity attributable to owners of the parent** | **584 031** | **580 577** | **580 702** | **579 233** |
| **Total non-current liabilities** | **697** | **672** | **656** | **729** |
| Credit facilities, loans and debt instruments | - | - | - | - |
| Non-current liabilities | 111 | 110 | 15 | 15 |
| Provisions | 21 | 21 | 21 | 29 |
| Deferred income tax provision | 565 | 541 | 620 | 685 |
| **Total current liabilities** | **3 360** | **3 430** | **2 658** | **2 700** |
| Credit facilities, loans and debt instruments | 1 | 1 | - | - |
| Current liabilities | 1 595 | 1 817 | 1 534 | 1 666 |
| Income tax liabilities | 1 040 | 884 | 199 | 118 |
| Provisions | 705 | 707 | 909 | 901 |
| Deferred revenue | 19 | 21 | 16 | 15 |
| **Total equity and liabilities** | **588 088** | **584 679** | **584 016** | **582 662** |

(amounts in PLN 000s, unless otherwise stated)

| | 30 Sep 2014 | 30 Jun 2014 | 31 Dec 2013 | 30 Sep 2013 |
|---|---|---|---|---|
| Book value | 584 031 | 580 577 | 580 702 | 579 233 |
| Number of shares | 15 179 589 | 15 115 161 | 15 115 161 | 15 115 161 |
| Diluted number of shares | 13 669 412 | 13 752 601 | 14 338 927 | 14 445 608 |
| Book value per share (in PLN)* | 42.88 | 42.51 | 40.79 | 40.38 |
| Diluted book value per share (in PLN)** | 42.73 | 42.22 | 40.50 | 40.10 |

* 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 Emperia Holding S.A.'s condensed statement of profit and loss and condensed statement of comprehensive income

| | Three months ended 30 Sep 2014 | Nine months ended 30 Sep 2014 | Three months ended 30 Sep 2013 | Nine months ended 30 Sep 2013 |
|---|---|---|---|---|
| Revenue from sales | 3 387 | 10 252 | 1 199 | 4 997 |
| Cost of sales | (1 833) | (5 322) | (1 233) | (5 243) |
| **Profit on sales** | **1 554** | **4 930** | **(34)** | **(246)** |
| Other operating revenue | 1 | 1 722 | 167 | 938 |
| Selling costs | - | - | - | - |
| Administrative expenses | (1 028) | (3 072) | (868) | (2 943) |
| Other operating expenses | (9) | (680) | (506) | (664) |
| **Operating profit** | **518** | **2 900** | **(1 241)** | **(2 915)** |
| Finance income | 1 803 | 13 141 | 2 633 | 14 917 |
| Finance costs | (1) | (423) | (1) | (2) |
| **Profit before tax** | **2 320** | **15 618** | **1 391** | **12 000** |
| Income tax | (465) | (1 780) | (352) | (1 292) |
| - current | (444) | (1 808) | (398) | (1 375) |
| - deferred | (21) | 28 | 46 | 83 |
| **Profit for the period** | **1 855** | **13 838** | **1 039** | **10 708** |
| Profit for the period attributable to owners of the parent | 1 855 | 13 838 | 1 039 | 10 708 |
| Profit for the period attributable to non-controlling interests | - | - | - | - |
| | | | | |
| Profit (loss) for the period (annualised) | | 15 307 | | 13 819 |
| Weighted average number of ordinary shares | | 13 620 284 | | 14 344 172 |
| Weighted average diluted number of ordinary shares* | | 13 669 412 | | 14 445 608 |
| Profit (loss) per ordinary share, annualised (in PLN) | | 1.12 | | 0.96 |
| Diluted profit (loss) per ordinary share, annualised* (in PLN) | | 1.12 | | 0.96 |

* Weighted average diluted number of ordinary shares:
– for Q1-Q3 2014 (January-September): 13 669 412, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.
– for Q1-Q3 2013 (January-September): 14 445 608, 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 2014 | Nine months ended 30 Sep 2014 | Three months ended 30 Sep 2013 | Nine months ended 30 Sep 2013 |
|---|---|---|---|---|
| **Profit for the period** | **1 855** | **13 838** | **1 039** | **10 708** |
| Other comprehensive income: | - | - | - | - |
| **Comprehensive income for the period** | **1 855** | **13 838** | **1 039** | **10 708** |

(amounts in PLN 000s, unless otherwise stated)

## 8.4 Emperia Holding S.A.'s condensed statement of changes in equity

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 July 2014** | **15 115** | **549 559** | **2 526** | **3 145** | **63 269** | **-** | **(65 020)** | **11 983** | **580 577** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 July 2014, adjusted** | **15 115** | **549 559** | **2 526** | **3 145** | **63 269** | **-** | **(65 020)** | **11 983** | **580 577** |
| Profit for the period | - | - | - | - | - | - | - | 1 855 | 1 855 |
| Share issuance - incentive scheme | 65 | 2 429 | | - | - | - | - | - | 2 494 |
| Management options provision | - | - | - | (895) | - | | | - | (895) |
| Allocation of previous year's profit - increase of equity | - | - | - | - | - | - | - | - | - |
| Allocation of previous year's profit - dividend | - | - | - | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| **30 September 2014** | **15 180** | **551 988** | **2 526** | **2 250** | **63 269** | **-** | **(65 020)** | **13 838** | **584 031** |

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2014** | **15 115** | **549 559** | **2 526** | **3 145** | **63 200** | **-** | **(65 020)** | **12 177** | **580 702** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2014, adjusted** | **15 115** | **549 559** | **2 526** | **3 145** | **63 200** | **-** | **(65 020)** | **12 177** | **580 702** |
| Profit for the period | - | - | - | - | - | - | - | 13 838 | 13 838 |
| Share issuance - incentive scheme | 65 | 2 429 | | - | - | - | - | - | 2 494 |
| Management options provision | - | - | - | (895) | - | | | - | (895) |
| Allocation of previous year's profit - increase of equity | - | - | - | - | 69 | - | - | (69) | 0 |
| Allocation of previous year's profit - dividend | - | - | - | - | - | - | - | (12 108) | (12 108) |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| **30 September 2014** | **15 180** | **551 988** | **2 526** | **2 250** | **63 269** | **-** | **(65 020)** | **13 838** | **584 031** |

(amounts in PLN 000s, unless otherwise stated)

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 July 2013** | 15 115 | 549 559 | 2 526 | 3 145 | 63 200 | - | (65 020) | 9 669 | 578 194 |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 July 2013, adjusted** | 15 115 | 549 559 | 2 526 | 3 145 | 63 200 | - | (65 020) | 9 669 | 578 194 |
| Comprehensive income for the three months ended 30 September 2013 | - | - | - | - | - | - | - | 1 039 | 1 039 |
| Release of buy-back provision | - | - | - | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| Dividend from prior-year profit | - | - | - | - | - | - | - | - | - |
| **30 September 2013** | **15 115** | **549 559** | **2 526** | **3 145** | **63 200** | **-** | **(65 020)** | **10 708** | **579 233** |

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | **15 115** | **549 559** | **2 526** | **3 145** | **62 979** | **-** | **(65 020)** | **13 593** | **581 897** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2013, adjusted** | **15 115** | **549 559** | **2 526** | **3 145** | **62 979** | **-** | **(65 020)** | **13 593** | **581 897** |
| Comprehensive income for the nine months ended 30 September 2013 | - | - | - | - | - | - | - | 10 708 | 10 708 |
| Management options measurement | - | - | - | - | - | - | - | - | - |
| Prior-year profit distribution - transfer to equity | - | - | - | - | 221 | - | - | (221) | - |
| Creation of buy-back provision | - | - | - | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| Dividend from prior-year profit | - | - | - | - | - | - | - | (13 372) | (13 372) |
| **30 September 2013** | **15 115** | **549 559** | **2 526** | **3 145** | **63 200** | **-** | **(65 020)** | **10 708** | **579 233** |

(amounts in PLN 000s, unless otherwise stated)

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Retained earnings | Own shares | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at the beginning of period: 1 January 2013** | **15 115** | **549 559** | **2 526** | **3 145** | **62 979** | **-** | **13 593** | **(65 020)** | **581 897** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **As at the beginning of period, adjusted** | **15 115** | **549 559** | **2 526** | **3 145** | **62 979** | **-** | **13 593** | **(65 020)** | **581 897** |
| Profit for the period | - | - | - | - | - | - | 12 177 | - | **12 177** |
| Prior-year profit distribution - transfer to equity | - | - | - | - | 221 | - | (221) | - | - |
| Dividend from prior-year profit | - | - | - | - | - | - | (13 372) | - | **(13 372)** |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| Management options provision | - | - | - | - | - | - | - | - | - |
| Release of buy-back provision | - | - | - | - | - | - | - | - | - |
| **As at the end of period: 31 December 2013** | **15 115** | **549 559** | **2 526** | **3 145** | **63 200** | **-** | **12 177** | **(65 020)** | **580 702** |

(amounts in PLN 000s, unless otherwise stated)

## 8.5 Emperia Holding S.A.'s condensed statement of cash flows

| | Nine months ended 30 Sep 2014 | Nine months ended 30 Sep 2013 |
|---|---|---|
| **Profit (loss) for the period** | **13 838** | **10 708** |
| **Adjusted by:** | **710** | **(11 300)** |
| Depreciation / amortisation | 1 809 | 1 282 |
| Interest and shares of profit (dividends) | (11 844) | (12 710) |
| Income tax | 1 780 | 1 292 |
| Profit (loss) on investing activities | 341 | (724) |
| Change in provisions | (204) | 445 |
| Change in inventory | - | 20 |
| Change in receivables | 9 357 | 887 |
| Change in prepayments | 2 | 431 |
| Change in liabilities | 435 | (241) |
| Income tax paid | (967) | (1 982) |
| **Net cash flows from operating activities** | **14 548** | **(592)** |
| **Inflows** | **1 224 731** | **1 763 152** |
| Disposal of property, plant and equipment and intangible assets | 4 467 | 1 495 |
| Disposal of financial assets | 1 204 963 | 1 738 481 |
| Dividends received | 7 566 | 5 774 |
| Interest received | 39 | 602 |
| Repayment of loans issued | 7 696 | 16 800 |
| Other inflows | - | - |
| **Outflows** | **(1 310 965)** | **(1 714 889)** |
| Purchase of property, plant and equipment and intangible assets | (2 810) | (1 271) |
| Purchase of subsidiaries and associates | (69 971) | (50) |
| Purchase of financial assets | (1 236 984) | (1 713 555) |
| Borrowings granted | (1 200) | (13) |
| Expenditures on maintenance of investment properties | - | - |
| Other outflows | - | - |
| **Net cash from investing activities** | **(86 234)** | **48 263** |
| **Inflows** | **1 600** | **-** |
| Proceeds from credit facilities and loans | - | - |
| Issue of short-term debt instruments | 1 | - |
| Other inflows | 1 599 | - |
| **Outflows** | **(12 110)** | **(13 372)** |
| Repayment of borrowings | - | - |
| Buy-back of short-term debt instruments | (1) | - |
| Payment of finance lease liabilities | - | - |
| Interest and fees paid | - | - |
| Dividends paid | (12 109) | (13 372) |
| Purchase of own shares | - | - |
| Other outflows | - | - |
| **Net cash from financing activities** | **10 510** | **(13 372)** |
| **Change in cash and cash equivalents** | **(82 195)** | **34 298** |
| Exchange differences | - | - |
| **Cash and cash equivalents at the beginning of period** | **89 555** | **73 300** |
| **Cash and cash equivalents at the end of period** | **7 360** | **107 598** |

(amounts in PLN 000s, unless otherwise stated)

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

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

Lublin, November 2014

**Signatures of all Management Board members:**

| | | | |
|---|---|---|---|
| 2014-11-13 | Dariusz Kalinowski | President of the Management Board | ....................... Signature |
| 2014-11-13 | Cezary Baran | Vice-President of the Management Board, Finance Director | ....................... Signature |

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

| | | | |
|---|---|---|---|
| 2014-11-13 | Elżbieta Świniarska | Economic Director | ....................... Signature |