CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FOURTH QUARTER OF 2014

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

LUBLIN, MARCH 2015

Emperia Group means:

- credibility and prioritising shareholder interests

- customer-centric culture

- growth and openness

- working together

- effectiveness

- reliability and engagement

Credibility and prioritising shareholder interests

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

Customer-centric culture

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

Growth and openness

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

Working together

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

Reliability and engagement

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

Effectiveness

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

Welcome!

Contents

(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 31 Dec 2014	For the period from 1 Jan 2013 to 31 Dec 2013	For the period from 1 Jan 2014 to 31 Dec 2014	For the period from 1 Jan 2013 to 31 Dec 2013
I.	Net revenue from sale of products, goods and materials	1 978 042	1 967 480	472 165	467 224
II.	Operating profit (loss)	41 280	14 163	9 854	3 363
III.	Profit (loss) before tax	42 732	18 974	10 200	4 506
IV.	Profit (loss) for the period	31 896	13 799	7 614	3 277
V.	Net cash flows from operating activities	65 412	61 254	15 614	14 546
VI.	Net cash flows from investing activities	(77 588)	(24 920)	(18 521)	(5 918)
VII.	Net cash flows from financing activities	(68 543)	(56 474)	(16 361)	(13 411)
VIII.	Total net cash flows	(80 719)	(20 140)	(19 268)	(4 783)
IX.	Total assets	951 988	1 063 964	223 351	256 550
X.	Liabilities and liability provisions	342 293	417 260	80 307	100 612
XI.	Non-current liabilities	26 199	38 245	6 147	9 222
XII.	Current liabilities	316 094	379 015	74 160	91 391
XI.	Equity	609 695	646 704	143 044	155 938
XIV.	Share capital	15 180	15 115	3 561	3 645
XV.	Number of shares	15 179 589	15 115 161	15179589	15 115 161
XVI.	Weighted average number of shares	13 440 114	14 235 425	13 440 114	14 235 425
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	2.37	0.97	0.57	0.23
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	2.37	0.96	0.57	0.23
XIX.	Book value per share* (in PLN/EUR)	45.36	45.43	10.64	10.95
XX.	Diluted book value per share** (in PLN/EUR)	45.28	45.10	10.62	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 Q1-Q4 2014 (January-December): 13 440 114
- for Q1-Q4 2013 (January-December): 14 235 425

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 Q4 2014 was EURPLN 4.1893 and for Q4 2013: EURPLN 4.2110.
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 31 December 2014: EURPLN 4.2623; 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 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

	31 Dec 2014	30 Sep 2014	31 Dec 2013	30 Sep 2013
Non-current assets	**591 689**	**594 491**	**586 548**	**583 748**
Property, plant and equipment	509 287	509 630	497 890	496 386
Investment properties	-	-	-	-
Intangible assets	3 355	3 664	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	5 206	4 820	4 833	4 614
Deferred income tax assets	17 597	19 732	20 053	21 108
Other non-current prepayments	4 108	4 509	5 870	6 355
Non-current assets classified as held-for-sale	-	-	-	-
Current assets	**360 299**	**342 129**	**477 416**	**370 211**
Inventory	164 827	175 698	168 660	124 609
Receivables	45 052	58 465	105 286	42 223
Income tax receivables	1 218	-	993	740
Short-term securities	30 764	35 252	-	-
Prepayments	4 004	5 781	4 292	6 131
Cash and cash equivalents	114 434	66 933	195 153	196 488
Other financial assets	-	-	-	-
Assets classified as held for sale	-	-	3 032	20
Total assets	**951 988**	**936 620**	**1 063 964**	**953 959**
Equity	**609 695**	**614 887**	**646 704**	**656 330**
Share capital	15 180	15 180	15 115	15 115
Share premium	551 988	551 988	549 559	549 559
Supplementary capital	99 977	100 084	100 084	100 084
Management options provision	5 206	4 115	5 010	5 010
Reserve capital	110 593	110 593	110 525	110 525
Own shares	(164 553)	(143 956)	(106 616)	(96 792)
Retained earnings	(8 696)	(23 117)	(26 973)	(27 171)
Total equity attributable to owners of the parent	**609 695**	**614 887**	**646 704**	**656 330**
Non-controlling interests	-	-	-	-
Non-current liabilities	**26 199**	**28 660**	**38 245**	**40 541**
Credit facilities, loans and debt instruments	2 647	2 922	3 455	3 818
Non-current liabilities	966	910	970	960
Provisions	19 842	21 839	31 591	33 599
Deferred income tax provision	2 744	2 989	2 229	2 164
Current liabilities	**316 094**	**293 073**	**379 015**	**257 088**
Credit facilities, loans and debt instruments	903	897	804	819
Current liabilities	290 211	266 348	350 462	236 402
Income tax liabilities	3 186	2 548	2 119	1 344
Provisions	16 270	17 163	19 050	16 040
Deferred revenue	5 524	6 117	6 580	2 483
Total equity and liabilities	**951 988**	**936 620**	**1 063 964**	**953 959**

(amounts in PLN 000s, unless otherwise stated)

	31 Dec 2014	30 Sep 2014	31 Dec 2013	30 Sep 2013
Book value	609 695	614 887	646 704	656 330
Number of shares	15 179 589	15 179 589	15 115 161	15 115 161
Diluted number of shares	13 465 487	13 669 412	14 338 927	14 445 608
Book value per share (in PLN)*	45.36	45.14	45.43	45.76
Diluted book value per share (in PLN)**	45.28	44.98	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

	3 months ended 31 Dec 2014	12 months ended 31 Dec 2014	3 months ended 31 Dec 2013	12 months ended 31 Dec 2013
Revenue from sales	512 032	1 978 042	511 704	1 967 480
Cost of sales	(367 043)	(1 415 819)	(377 105)	(1 476 382)
Profit on sales	**144 989**	**562 223**	**134 599**	**491 098**
Other operating revenue	5 311	9 623	6 372	12 600
Selling costs	(112 768)	(449 503)	(117 250)	(407 856)
Administrative expenses	(17 825)	(71 822)	(18 696)	(71 986)
Other operating expenses	(3 043)	(9 241)	(3 692)	(9 693)
Operating profit	**16 664**	**41 280**	**1 333**	**14 163**
Finance income	703	2 676	1 044	5 376
Finance costs	(177)	(1 224)	(155)	(565)
Profit before tax	**17 190**	**42 732**	**2 222**	**18 974**
Income tax	(2 769)	(10 836)	(2 024)	(5 175)
- current	(1 849)	(7 840)	(903)	(3 842)
- deferred	(920)	(2 996)	(1 121)	(1 333)
Profit for the period	**14 421**	**31 896**	**198**	**13 799**
Profit for the period attributable to owners of the parent	14 421	31 896	198	13 799
Profit for the period attributable to non-controlling interests	-	-	-	-

Profit (loss) for the period (annualised), including:	31 896	13 799
Weighted average number of ordinary shares	13 440 114	14 235 425
Weighted average diluted number of ordinary shares*	13 465 487	14 338 927
Profit (loss) per ordinary share, annualised (in PLN)	2.37	0.97
Diluted profit (loss) per ordinary share, annualised* (in PLN)	2.37	0.96

* Weighted average diluted number of ordinary shares:

- for 2014 (January-December): 13 465 487, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.
- for 2013 (January-December): 14 338 927, 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	3 months ended 31 Dec 2014	12 months ended 31 Dec 2014	3 months ended 31 Dec 2013	12 months ended 31 Dec 2013
Profit for the period	14 421	31 896	198	13 799
Other comprehensive income	(107)	(107)	-	-
- Revaluation of liabilities for employee benefits	(132)	(132)	-	-
- Income tax on components of other comprehensive income	25	25	-	-
Comprehensive income for the period	**14 314**	**31 789**	**198**	**13 799**
Comprehensive income attributable to shareholders of the parent	14 314	31 789	198	13 799
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 October 2014	**15 180**	**551 988**	**100 084**	**4 115**	**110 593**	**(143 956)**	**(23 117)**	**614 887**
Correction of fundamental errors 2013	-	-	-	-	-	-	-	-
1 October 2014, adjusted	**15 180**	**551 988**	**100 084**	**4 115**	**110 593**	**(143 956)**	**(23 117)**	**614 887**
Comprehensive income for the period ended 31 December 2014	-	-	-	-	-	-	14 421	14 421
Prior-period results of companies entered into consolidation	-	-	-	-	-	-	-	-
2013 profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Equity-settled employee considerations	-	-	(107)	-	-	-		(107)
Bond issuance - incentive scheme	-	-	-	1 091	-	-	-	1 091
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(20 597)	-	(20 597)
Redemption of own shares	-	-	-	-	-	-	-	-
Dividend from 2013 profit	-	-	-	-	-	-	-	-
31 December 2014	**15 180**	**551 988**	**99 977**	**5 206**	**110 593**	**(164 553)**	**(8 696)**	**609 695**

	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 12 months ended 31 December 2014	-	-	-	-	-	-	31 896	31 896
Prior-period results of companies entered into consolidation	-	-	-	-	-	-	-	-
2013 profit distribution - transfer to equity	-	-	-	-	68	-	(68)	-
Equity-settled employee considerations	-	-	(107)	-	-	-	-	(107)
Bond issuance - incentive scheme	-	-	-	2 691	-	-	-	2 691
Share issuance - incentive scheme	65	2 429	-	(2 494)	-	-	-	-
Purchase of own shares	-	-	-	-	-	(57 937)	-	(57 937)
Redemption of own shares	-	-	-	-	-	-	-	-
Dividend from 2013 profit	-	-	-	-	-	-	(12 109)	(12 109)
31 December 2014	**15 180**	**551 988**	**99 977**	**5 206**	**110 593**	**(164 553)**	**(8 696)**	**609 695**

(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 October 2013	**15 115**	**549 559**	**100 084**	**5 010**	**110 525**	**(96 792)**	**(27 171)**	**656 330**
Correction of fundamental errors 2012	-	-	-	-	-	-	-	-
1 October 2013, adjusted	**15 115**	**549 559**	**100 084**	**5 010**	**110 525**	**(96 792)**	**(27 171)**	**656 330**
Comprehensive income for the period ended 31 December 2013	-	-	-	-	-	-	198	198
Prior-period results of companies entered into consolidation	-	-	-	-	-	-	-	-
2012 profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Measurement of 2nd management options programme	-	-	-	-	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(9 824)	-	(9 824)
Redemption of own shares	-	-	-	-	-	-	-	-
Transfer of buy-back provision	-	-	-	-	-	-	-	-
Dividend from 2012 profit	-	-	-	-	-	-	-	-
31 December 2013	**15 115**	**549 559**	**100 084**	**5 010**	**110 525**	**(106 616)**	**(26 973)**	**646 704**

	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	-
Purchase of own shares	-	-	-	-	-	(41 596)	-	(143 956)
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

	12 months ended 31 Dec 2014	12 months ended 31 Dec 2013
Profit (loss) for the period	**31 896**	**13 799**
Adjusted by:	**33 516**	**47 435**
Share of the net profit (loss) of equity-accounted investees	-	-
Depreciation / amortisation	44 014	41 831
(Profit) loss on exchange differences	130	(182)
Interest and shares of profit (dividends)	262	172
Income tax	10 836	5 175
Profit (loss) on investing activities	(2 509)	(7 694)
Change in provisions	(17 085)	(3 060)
Change in inventory	12 521	(64 494)
Change in receivables	56 126	(42 278)
Change in prepayments	1 028	7 019
Change in liabilities	(70 804)	112 960
Other adjustments	5 694	11
Income tax paid	(6 697)	(2 006)
Net cash from operating activities	**65 412**	**61 254**
Inflows	**22 039**	**18 705**
Disposal of property, plant and equipment and intangible assets	16 983	18 662
Disposal of financial assets	5 056	-
Disposal of interests in subsidiaries	-	-
Dividends received	-	-
Interest received	-	-
Repayment of loans issued	-	-
Cash of entities acquired, at acquisition date	-	43
Proceeds from use of investment properties	-	-
Other inflows	-	-
Outflows	**(99 627)**	**(43 625)**
Purchase of property, plant and equipment and intangible assets	(64 531)	(41 339)
Purchase of investment properties	-	-
Purchase of subsidiaries and associates	-	(2 279)
Purchase of financial assets	(35 096)	-
Borrowings granted	-	-
Cash of subsidiaries at disposal date	-	-
Expenditures on maintenance of investment properties	-	-
Other outflows	-	(7)
Net cash from investing activities	**(77 588)**	**(24 920)**

(amounts in PLN 000s, unless otherwise stated)

Inflows	**2 692**	**-**
Proceeds from credit facilities and loans	-	-
Issue of short-term debt instruments	1	-
Proceeds from equity issuance	2 691	-
Other inflows	-	-
Outflows	**(71 235)**	**(56 474)**
Repayment of borrowings	-	(906)
Buy-back of short-term debt instruments	(1)	-
Payment of finance lease liabilities	(838)	(428)
Interest and fees paid	(383)	(172)
Dividends paid	(12 109)	(13 372)
Purchase of own shares	(57 904)	(41 596)
Other outflows	-	-
Net cash from financing activities	**(68 543)**	**(56 474)**

Change in cash and cash equivalents	**(80 719)**	**(20 140)**
Exchange differences	-	**-**
Cash and cash equivalents at the beginning of period	**195 153**	**215 293**
Cash and cash equivalents at the end of period	**114 434**	**195 153**

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 have been prepared for the period from 1 January 2014 to 31 December 2014, and the comparative financial data covers the period from 1 January 2013 to 31 December 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 31 December 2014, consolidation included 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., P5 EKON Sp. z o.o. S.K.A.

During 2014, Emperia Group's structure was subject to changes (as 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 31 December 2014

No.	Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o. (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.	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) directly through Elpro Development S.A.

Subsidiaries excluded from the consolidated financial statements as at 31 December 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 31 December 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., together with revenue transferred from the central management segment (from Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue,

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

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

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

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms 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 has been applying 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 do not have a significant impact on the consolidated financial statements for the four quarters of 2014.

Earlier application of standards and applications:

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

Standards that have been published but are not yet in force:

a) 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. On 9 January 2015, the above amendments were published in the IASB's Journal of Accountancy.

b) 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. On 9 January 2015, the above amendments were published in the IASB's Journal of Accountancy.

c) 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. On 19 December 2014, the above amendments were published in the IASB's Journal of Accountancy.

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 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) 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.

g) 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 adoption permitted.

h) 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.

i) 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 to/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 added additional guidance to clarify whether a servicing contract is 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 means and location for disclosing information about material events and transactions.

j) Amendments to IAS 1 - Disclosure Initiative

On 18 December 2014, the IASB published amendments to IAS 1, emphasising the concept of materiality, in connection with which separate disclosures need not be presented even when a standard requires a specific disclosure. Notes in financial statements need not be presented in a specific order - entities can apply any order. Entities should disaggregate items in the statement of financial position and statement of profit or loss and other comprehensive income as relevant, and aggregate items in the statement of financial position if such items specified in IAS 1 are not separately material. When presenting sub-totals in the statement of financial position and statement of profit or loss and other comprehensive income, detailed criteria and requirements regarding reconciliation and presentation shall be added. In addition, it shall be clarified that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss, as per IAS 1. Amendments to IAS 28 will be effective from 1 January 2016, with early application permitted.

k) Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception

On 18 December 2014, the IASB published amendments focusing on three areas. The first one deals with consolidation of intermediate investment entities. Pursuant to the introduced amendments, intermediate investment entities shall not be subject to consolidation and, furthermore, the IASB clarified the term "services that relate to the parent's investment activities." Another area of changes concerns an exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity. The last element of changes concerns the possibility of selecting the accounting policy of equity-accounted investment entities. Amendments to IFRS 10, IFRS 12 and IAS 28 will be effective from 1 January 2016, with early application permitted.

The Group considers the 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, 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) 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.

b) Registration of a share capital increase at Emperia Holding S.A.

On 5 November 2014, the Management Board of Emperia Holding S.A. received a ruling from the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, regarding update of the amount of the Issuer's share capital in connection with the purchase by authorised persons of 64 428 series P shares issued under a conditional share capital increase. Date the Court registered the above share capital increase: 29 October 2014.
Currently, following registration of the changes, the Issuer's share capital amounts to PLN 15 179 589 and is divided into 15 179 589 ordinary bearer shares entitling to 15 179 589 votes at the Issuer's general meeting.

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

On 21 November 2014, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered an increase of the Company's share capital from PLN 220 000 to PLN 270 000, i.e. by PLN 50 000, through issue of 500 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for a cash contribution of PLN 50 000.

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

On 24 November 2014, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered an increase of the Company's share capital from PLN 300 000 to PLN 400 000, i.e. by PLN 100 000, through issue of 1 000 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for a cash contribution of PLN 100 000.

Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases - after the end of the reporting period

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

On 16 January 2015, the Management Board of Emperia Holding S.A. announced the introduction to stock-market trading of 43 976 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, as well as admission and introduction of the series P shares to stock-market trading.

(amounts in PLN 000s, unless otherwise stated)

From 16 January 2015, the Issuer's share capital amounts to PLN 15 223 565 and is divided into 15 223 565 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 15 223 565.

6.2.11 Property, plant and equipment

The Group recognises individual usable items that fulfil IAS 16 criteria 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:	in accordance with the term of the right or the 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 that 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.

Classification of financial assets occurs at 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 Inventory

The company classifies the following as inventory:

- materials
- goods for resale

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 3 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 (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 from sales

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 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 selling 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.

Selling 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 working on in Q4 2014 are as follows:

- continuing optimisation of its 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 present responsibilities,
- developing the Stokrotka retail chain.

Changes in key items from the statement of profit and loss

Item	Q4 2014	Q4 2013	%
Revenue from sales	512 032	511 704	0.06%
Profit on sales	144 989	134 599	7.72%
EBITDA	25 403	12 637	101.02%
Operating profit	16 664	1 333	1 150.11%
Profit before tax	17 190	2 222	673.63%
Profit for the period	14 421	198	7 183.33%

Item	Q1-Q4 2014	Q1-Q4 2013	%
Revenue from sales	1 978 042	1 967 480	0.54%
Profit on sales	562 223	491 098	14.48%
EBITDA	85 294	55 994	52.33%
Operating profit	41 280	14 163	191.46%
Profit before tax	42 732	18 974	125.21%
Profit for the period	31 896	13 799	131.15%

Fourth-quarter revenue was similar to the comparative period. FY 2014 revenue was slightly (0.54%) higher than in 2013. Fourth-quarter revenue was considerably affected by deflation in food prices on a year-on-year basis (-2.6%) and strong pricing competition.

The fourth quarter saw PLN 14 421 000 in profit, compared with PLN 198 000 in Q4 2013. For 2014, profit was PLN 31 896 000, compared with PLN 13 799 000 last year. The Group's significantly higher profit generated in the fourth quarter of 2014 resulted from much stronger results in the retail segment.

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

- in Q4 2014 the Group posted a PLN 526 000 gain on financing activities, compared with PLN 1 432 000 in Q4 2013; in Q1-Q4 2014 the figure was PLN 889 000, compared with PLN 4 811 000 for Q1-Q4 2013,
- In Q4 2014, the Group generated a PLN 3 827 000 gain on disposal of properties, while in Q4 2013 it was PLN 5 928 000. In 2014, the result on property sales was PLN 5 002 000, while in the comparative period PLN 8 321 000.
- In Q4 2014, in connection with a 2014 change in income tax regulations regarding partnerships limited by shares, the property segment reported PLN 1 106 000 in income tax, while the figure for FY 2014 was PLN 4 425 000, and in 2013 the segment did not pay any income tax,

(amounts in PLN 000s, unless otherwise stated)

- 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 2014, the retail segment incurred a one-off expense connected with reducing the surface area of one store (Delima) of PLN 1 644 000,
- In 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 2014, the retail segment incurred a one-off expense connected with closure of one store (Delima) of PLN 1 381 000,
- In Q4 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 million, with the total for 2014 being PLN 2 033 000,
- In Q4 2014, the retail segment incurred PLN 569 000 in costs connected with launching the franchise format, and PLN 2 945 000 overall in FY 2014,
- In the fourth quarter, the retail segment released a PLN 800 000 provision for renovation of freezers,
- in Q4 2014, the retail segment incurred costs relating to remodelling, rebranding and implementing new floorplans at stores, which the company estimates at PLN 5 100 000, including PLN 1 600 000 in lost margin,
- In H1 2013, the retail segment recorded PLN 3 128 000 in logistics costs, recognised as selling costs (in-house logistics were launched in July 2013),
- In Q4 2013, the retail segment incurred a PLN 362 000 one-off expense connected with closure of one store, while closure related expenses in all of 2013 amounted to PLN 1 758 000.

Changes in key balance sheet items

Item	Q4 2014	Q4 2013	%
Total assets	951 988	1 063 964	-10.52%
Non-current assets	591 689	586 548	0.88%
Current assets	360 299	477 416	-24.53%
Cash and cash equivalents	114 434	195 153	-41.36%
Liabilities and liability provisions	342 293	417 260	-17.97%
Total current liabilities	316 094	379 015	-16.60%
Net assets	609 695	646 704	-5.72%
Share capital (in PLN)	15 180	15 115	0.43%
Current-period earnings per share, annualised (in PLN)	2.37	0.97	144.33%

(amounts in PLN 000s, unless otherwise stated)

Operational performance and ability to meet liabilities

Item	Q1-Q4 2014	Q1-Q4 2013
Return on invested capital *(profit for the period / equity at the end of the period) in %*	5.23%	2.13%
Return on assets *(profit for the period / assets at the end of the period) in %*	3.35%	1.30%
Sales margin *(profit from sales for the period / revenue from sales for the period) in %*	28.42%	24.96 %
EBITDA margin *(EBITDA / revenue from sales for the period) in %*	4.31%	2.85%
Operating margin *(operating profit for the period / revenue from sales for the period) in %*	2.09%	0.72%
Gross margin *(profit before tax for the period / revenue from sales for the period) in %*	2.16%	0.96%
Net margin *(profit for the period / revenue from sales for the period) in %*	1.61%	0.70%

Turnover cycles for key components of working capital

Methodology	Q1-Q4 2014	Q1-Q4 2013
Inventory turnover days *(inventory / value of goods for resale and materials sold*365)*	43	42
Receivables turnover days *(current receivables / revenue from sales*365)*	8	20
Payables turnover days *([current liabilities - current borrowings] / value of goods for resale and materials sold*365)*	83	95
Asset productivity *(revenue from sales / total assets)*	2.08	1.85
Non-current asset productivity *(revenue from sales / non-current assets)*	3.34	3.35

In 2014, inventory turnover increased by 1 day, receivables turnover decreased by 12 days, while payables turnover decreased by 5 days. The above changes in working capital ratios did not have a substantial impact on asset dynamics.

(amounts in PLN 000s, unless otherwise stated)

Retail segment

	Q4 2014	Q4 2013	%
Segment revenue	501 061	500 660	0.08%
Profit on sales	140 126	129 886	7.88%
EBITDA	9 847	(2 329)	-
Operating result	1 742	(9 772)	-
Gross profit	357	(13 978)	-
Net segment result	**237**	**(13 733)**	**-**

	Q1-Q4 2014	Q1-Q4 2013	%
Segment revenue	1 934 029	1 923 461	0.55%
Profit on sales	543 899	472 909	15.01%
EBITDA	30 825	3 299	834.37%
Operating result	(712)	(25 189)	-
Gross profit	(6 025)	(32 631)	-
Net segment result	**(8 913)**	**(32 620)**	**-**

Fourth-quarter revenue in the retail segment was similar to the comparative period. FY 2014 revenue was slightly (0.55%) higher than in 2013. Fourth-quarter revenue was considerably affected by deflation in food prices on a year-on-year basis (-2.6%) and strong pricing competition.

The segment's results in both of the periods being compared are incompatible. In the second half of 2013, a project was launched to introduce in-house logistics, which initially led to higher costs being incurred, inadequately to the benefits. In-house logistics were fully implemented by the end of H1 2014, and the segment focused on optimising logistics processes. As a result of these activities, the segment's results are continually improving from reporting period to reporting period.

Furthermore, central management segment revenue (at Emperia Holding S.A.) in 2014, concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue, was assigned to the retail segment (revenue - PLN 2 634 000, costs - PLN 632 000, net result - PLN 1 622 000).

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

- In 2014, the retail segment incurred a one-off expense connected with reducing the surface area of one store (Delima) of PLN 1 644 000,
- In 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 2014, the retail segment incurred a one-off expense connected with closure of one store (Delima) of PLN 1 381 000,
- In Q4 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 million, with the total for 2014 being PLN 2 033 000,
- In Q4 2014, the retail segment incurred PLN 569 000 in costs connected with launching the franchise format, and PLN 2 945 000 overall in FY 2014,
- In the fourth quarter, the retail segment released a PLN 800 000 provision for renovation of freezers,
- in Q4 2014, the retail segment incurred costs relating to remodelling, rebranding and implementing new floorplans at stores, which the company estimates at PLN 5 100 000, including PLN 1 600 000 in lost margin,

(amounts in PLN 000s, unless otherwise stated)

- In H1 2013, the retail segment recorded PLN 3 128 000 in logistics costs, recognised as selling costs (in-house logistics were launched in July 2013),
- In Q4 2013, the retail segment incurred a PLN 362 000 one-off expense connected with closure of one store, while closure related expenses in all of 2013 amounted to PLN 1 758 000.

In Q4 2014, Stokrotka Sp. z o.o. continued to optimise its in-house logistics system.

Key information on logistics performance:

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Total Stokrotka store deliveries during the period	352 878	406 919	374 197	388 154	386 554	403 626
Stokrotka store deliveries using in-house logistics during the period	165 010	276 759	296 490	326 974	321 745	332 915
% 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%**	**82.48%**
Total value of products delivered to the Group's store via in-house logistics	166 710	282 381	300 932	328 409	324 328	337 083
Logistics costs*	15 219	20 384	19 411	20 296	20 550	23 588
Logistics revenue	3	35	119	236	420	1 974
Net logistics costs	15 216	20 349	19 292	20 060	20 130	21 614
including: - cost of warehouse maintenance	1 983	2 363	2 293	2 601	2 545	2 613
- cost of product handling logistics	6 104	8 057	8 128	8 726	8 493	9 792
- cost of transport	6 820	9 544	8 687	8 555	8 886	9 001
- general costs	309	385	184	178	206	208
Logistics cost ratio (logistics costs / value of products delivered by in-house logistics)	**9.13%**	**7.21%**	**6.41%**	**6.11%**	**6.21%**	**6.41%**
Revenue from sales	473 018	470 774	468 347	489 368	473 248	500 431
Cost of sales	356 732	350 568	336 406	349 114	343 674	360 936
Gross sales margin	116 286	120 206	131 941	140 254	129 574	139 495
Gross sales margin (in %) (result on sales / revenue from sales)	24.58%	25.53%	28.17%	28.66%	27.38%	27.87%

*/ without taking into consideration one-off logistics costs incurred in Q4 2014 (PLN 1 800 000).

The Company has reached the planned level of supplies using the in-house logistics system. The remaining 15-20% constitutes regional products, frozen foods and baked goods - delivered to stores directly by producers and suppliers.
Costs of annual inventory in warehouses resulted in growth in the logistics ratio for the fourth quarter of 2014 by 0.26%.

(amounts in PLN 000s, unless otherwise stated)

Cash conversion cycle in the retail segment

	Q4 2014	Q3 2014	Q4 2013
Inventory turnover days *(inventory / value of goods and materials sold*90)*	41.7	46.9	41.9
Receivables turnover days *(trade receivables / revenue from sales*90)*	5.6	5.8	4.2
Payables turnover days *(trade payables / value of goods and materials sold*90)*	65.5	61.1	62.9
Cash conversion cycle *(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)*	-18.2	-8.4	-16.8

Changes in working capital turnover resulted in the cash conversion cycle increasing by 9.8 days in Q4 2014 (due to the specific nature of the final quarter), as compared with Q3 2014 and by 1.4 days in relation to Q4 2013.

Stokrotka stores

	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Number of stores at the beginning of period	**246**	**204**	**211**	**201**
- stores opened	8	8	16	13
- stores shut-down*/	2	1	11	3
- stores acquired by Stokrotka through the merger of retail companies			36	0
Number of stores at the end of period, including:	**252**	**211**	**252**	**211**
- own supermarkets	221	210	221	210
- own markets	28	0	28	0
- franchise stores	3	1	3	1
Average total store surface - stores opened (in sqm)	587	774	577	871
Capex on own stores opened	5 985	13 886	12 040	18 658

*/ 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 of the end of 2014, the Stokrotka retail chain comprised 252 stores, compared with 211 stores at the end of 2013. Eight new stores were opened in Q4 2014: 7 own stores and 1 franchise store, while 1 own and 1 franchise store were closed.

(amounts in PLN 000s, unless otherwise stated)

Margins at Stokrotka stores

in PLNm	2014	2014	Q4 2014	Q4 2013	Q1-Q3 2014	Q1-Q3 2013
Revenue from product sales	1 599.4	1 650.1	408.1	424.2	1 191.3	1 225.9
Store operating costs	367.5	365.7	91.8	93.5	275.7	272.2
Operating costs as % of revenue	**22.98%**	**22.16%**	**22.49%**	**22.04%**	**23.14%**	**22.20%**
EBITDA*	82.0	71.1	21.9	18.3	60.1	52.8
% EBITDA	**5.13%**	**4.31%**	**5.37%**	**4.31%**	**5.04%**	**4.31%**

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 2014 was PLN 10.9 million, or 0.82pp, higher than 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
Q4 2014	2.2	1.2
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

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 is 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 segment costs,
- improvement in product procurement terms,
- increase in the share of own-brand sales and margins,
- improvement in the pricing index for products on offer,
- reduction in marketing costs as % of revenue,
- higher productivity of store personnel.

(amounts in PLN 000s, unless otherwise stated)

Property segment

	Q4 2014	Q4 2013	%
Segment revenue	18 063	15 250	18.45%
Profit on sales	7 679	5 968	28.67%
EBITDA	12 896	65 065	-80.18%
Operating result	9 856	62 324	-84.19%
Gross profit	15 983	61 771	-74.13%
Net segment result	**14 878**	**61 771**	**-75.91%**

	Q1-Q4 2014	Q1-Q4 2013	%
Segment revenue	70 735	65 104	8.65%
Profit on sales	28 986	27 201	6.56%
EBITDA	43 984	95 955	-54.16%
Operating result	31 830	85 041	-62.57%
Gross profit	37 396	80 548	-53.57%
Net segment result	**32 972**	**80 548**	**-59.07%**

This segment's results are incomparable due to property disposal transactions (a total of 36 properties) executed in December 2013 between the Group and the following Group companies: Elpro Development S.A. and Emperia Holding S.A. As a result of the transactions, the property segment recognised PLN 56 423 000 in other operating revenue for the fourth quarter of 2013. These transactions, eliminated from consolidation, were carried out in connection with the restructuring of the segment.

Segment results after eliminating the transactions:

	Q4 2014	Q4 2013	%
Segment revenue	18 064	15 250	18.45%
Profit on sales	7 679	5 968	28.67%
EBITDA	12 896	8 642	49.23%
Operating result	9 856	5 901	67.02%
Gross profit	15 983	5 348	198.86%
Net segment result	**14 878**	**5 348**	**178.20%**

	Q1-Q4 2014	Q1-Q4 2013	%
Segment revenue	70 736	65 104	8.65%
Profit on sales	28 986	27 201	6.56%
EBITDA	43 984	39 532	11.26%
Operating result	31 830	28 618	11.22%
Gross profit	37 996	24 125	55.01%
Net segment result	**32 972**	**24 125**	**36.67%**

Property-segment revenue grew 18.45% in Q4 2014 and 8.65% in FY 2014. The revenue growth was largely due to having carved out the property segment from Emperia Holding S.A. in 2014 (transfer of PLN 9 976 000 in revenue to the property segment).

(amounts in PLN 000s, unless otherwise stated)

The segment's result was up 178.20% on the comparative period in Q4 2014 and up 36.67% on the comparative period in FY 2014. The profit growth was largely due to having carved out the property segment from Emperia Holding S.A. in 2014 (transfer of PLN 6 076 000 in gross profit and PLN 4 948 000 in net profit to the property segment), together with gross result on financial transactions of PLN 6 109 000 (sale of Emperia Holding shares in connection with the on-going buyback programme, described in note no. 7.14.16.letter.d).

In Q4 2014, the property segment posted a PLN 3 745 000 gross gain on disposal of properties, compared with PLN 2 316 000 in Q4 2013. In 2014, the result on property sales was PLN 4 221 000, while in the comparative period PLN 4 709 000.

In Q4 2014, in connection with a 2014 change in income tax regulations regarding partnerships limited by shares, the property segment reported PLN 1 106 000 in corporate income tax, while the figure for FY 2014 was PLN 4 425 000. In 2013, the segment did not pay any income tax.

	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Number of properties at the end of period	92	93	92	93
including: properties in progress	7	8	7	8
operating properties	85	85	85	85
including: retail properties	79	80	79	80
other properties	6	5	6	5
average monthly net operating income from leasable facilities*	**3 567**	**3 441**	**3 475**	**3 418**
including: retail properties	**3 282**	**3 271**	**3 348**	**3 271**
leasable area of retail facilities (sqm)	91 497	92 742	91 734	91 173
including: related lessees	56 026	57 368	56 282	57 036
other lessees	35 471	35 374	35 452	34 137
average lease rate (PLN per sqm)	42.0	42.7	41.9	41.8
including: related lessees	43.2	43.3	43.4	42.6
other lessees	40.0	41.7	39.6	40.5

* 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

(amounts in PLN 000s, unless otherwise stated)

IT segment

	Q4 2014	Q4 2013	%
Segment revenue	8 286	7 623	8.70%
EBITDA	3 170	2 901	9.27%
Operating result	2 879	2 005	43.61%
Gross profit	2 998	4 732	-36.64%
Net segment result	**2 418**	**1 728**	**39.91%**

	Q1-Q4 2014	Q1-Q4 2013	%
Segment revenue	34 940	31 124	12.26%
EBITDA	12 309	11 219	9.72%
Operating result	11 144	9 043	23.23%
Gross profit	11 558	9 477	21.96%
Net segment result	**9 329**	**7 642**	**22.08%**

IT-segment revenue was up 8.7% on the comparative period in Q4 2014 and 12.26% in FY 2014.

In Q4 2014, external revenue constituted 61.39% of total revenue, compared with 62.45% in Q4 2013. In FY 2014, external revenue accounted for 61.25% of total revenue, compared with 63.01% in 2013.

The segment's result was up 39.91% on the comparative period in Q4 2014 and 22.08% in FY 2014. This mainly resulted from a 20.61% improvement in profit on sale of services in 2014.

Central management segment

	Q4 2014	Q4 2013	%
Segment revenue	199	3 124	-93.64%
EBITDA	(588)	1 363	-
Operating result	(791)	939	-
Gross profit	945	3 424	-72.39%
Net segment result	**679**	**3 068**	**-77.87%**

	Q1-Q4 2014	Q1-Q4 2013	%
Segment revenue	1 317	8 613	-84.71%
EBITDA	(1 821)	109	-
Operating result	(2 852)	(1 597)	-
Gross profit	11 408	17 446	-34.61%
Net segment result	**10 373**	**15 798**	**-34.34%**

The decrease in the central management segment's revenue in 2014 resulted from:
- limiting the central management function,
- reclassifying Elpro Development S.A. to the property segment in 2014,
- 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 9 976 000, net result: PLN 4 948 000), transferring revenue from onerous contracts (commercial agency contracts revenue), with statistically allocated and accounted costs, to the retail segment (revenue: PLN 2 634 000, net result: PLN 1 622 000).

(amounts in PLN 000s, unless otherwise stated)

The key profit item for the segment in both periods was interest and dividend income.
Dividend income in 2014 amounted to PLN 7 566 000, compared to PLN 5 774 000 in 2013. Gross gain on other financial operations in 2014 was PLN 7 264 000, compared to PLN 8 736 000 in 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 transferred from the central management segment (from Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue,

2. **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN, Elpro Development S.A. (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.

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 FY 2014:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 934 029	70 735	1 317	34 940	62 979	1 978 042
External revenue	1 933 808	22 809	26	21 399	-	1 978 042
Inter-segment revenue	221	47 926	1 291	13 541	62 979	-
Total segment costs	(1 931 710)	(41 749)	(4 717)	(23 868)	(64 901)	(1 937 144)
Profit (loss) on sales	2 319	28 986	(3 400)	11 071	(1 922)	40 898
Result on other operating activities	(3 031)	2 844	548	73	52	382
Result on financing activities	(5 313)	5 566	14 260	414	13 475	1 452
Gross result	(6 025)	37 396	11 408	11 558	11 606	42 732
Tax	(2 888)	(4 425)	(1 035)	(2 229)	259	(10 836)
Share of the profit of equity-accounted investees	-	-	-	-	-	-
Net segment result	**(8 913)**	**32 972**	**10 373**	**9 329**	**11 865**	**31 896**

(amounts in PLN 000s, unless otherwise stated)

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	422 036	1 261 399	556 023	22 037	1 309 507	951 988
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(51 979)	(7 469)	(4 659)	(1 193)	(769)	(64 531)
Depreciation / amortisation	(31 537)	(12 154)	(1 031)	(1 165)	(1 873)	(44 014)

Emperia Group's operating segments in FY 2013:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	1 923 461	65 104	8 613	31 124	60 821	**1 967 480**
External revenue	1 921 941	22 080	3 896	19 564	-	**1 967 480**
Inter-segment revenue	1 520	43 024	4 717	11 560	60 820	**-**
Total segment costs	(1 947 329)	(37 903)	(10 409)	(22 130)	(61 547)	**(1 956 224)**
Profit on sales	(23 869)	27 201	(1 796)	8 994	(726)	**11 256**
Result on other operating activities	(1 320)	57 840	199	49	53 861	**2 907**
Result on financing activities	(7 442)	(4 493)	19 043	434	2 731	**4 811**
Gross result	(32 631)	80 548	17 446	9 477	55 866	**18 974**
Tax	11	-	(1 648)	(1 836)	1 702	**(5 175)**
Share of the profit of equity-accounted investees	-	-	-	-	-	**-**
Net segment result	**(32 620)**	**80 548**	**15 798**	**7 642**	**57 569**	**13 799**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	520 063	744 282	814 907	22 333	1 037 621	**1 063 964**
Goodwill	39 200	12 844	-	-	-	**52 044**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(30 740)	(6 547)	(209 086)	(2 619)	(207 653)	**(41 339)**
Depreciation / amortisation	(28 488)	(10 914)	(1 706)	(2 176)	(1 452)	**(41 831)**

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

(amounts in PLN 000s, unless otherwise stated)

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	11.23%	-	1 709 678	11.26%	1 709 678	13.30%
IPOPEMA TFI S.A.	1 433 437	9.42%	-	1 433 437	9.44%	1 433 437	10.15%
ING TFI	1 390 123	9.13%	-	1 390 123	9.16%	1 390 123	10.82%
AXA OFE	891 992	5.86%	-	891 992	5.88%	891 992	6.94%

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 2 370 846 shares in the Issuer, entitling to 2 370 846 (15.574%) votes at the Issuer's general meeting and constituting 15.574% of the Issuer's share capital.

On 16 January 2015, Emperia Holding S.A. introduced to stock-market trading 43 976 ordinary bearer shares series P. Information on this subject is presented in point 6.2.10a)

7.6 Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares at 31 December 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%	-	34 647	0.23%
Cezary Baran	420	0.003%	-	420	0.003%

Supervisory Board members	Shares at 31 December 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 Q4 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 intra-group mergers in Q4 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 Q4 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.

(amounts in PLN 000s, unless otherwise stated)

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

Presented below are the results of property sales transactions during the period:

	Q4 2014	Q4 2013	2014	2013
Proceeds from disposal of properties	9 100	10 500	13 460	17 587
Costs of disposal of properties	(8 391)	(8 013)	(11 577)	(12 708)
reversal of consolidation adjustments	3 119	3 442	3 119	3 442
gross result	3 828	5 928	5 002	8 321
current tax	(135)	-	(358)	-
deferred tax	(16)	(653)	(16)	(654)
net result	**3 677**	**5 275**	**4 628**	**7 667**

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

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

<u>External:</u>

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

<u>Internal:</u>

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 performance improvements in the retail segment's in-house logistics
e) Development of a franchise network concept under the Stokrotka brand

7.13 Changes in composition of the Issuer's management board and supervisory board

Management Board

In Q4 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 31 December 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 Q4 2014.

Composition of Emperia Holding S.A.'s Supervisory Board as at 31 December 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.

7.14.2 Production seasonality and cyclicality

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

(amounts in PLN 000s, unless otherwise stated)

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

Employee benefit provisions	Change in 2014	Change in 2013
Non-current		
As at the beginning of period	1 159	1 481
Increases / decreases during the period	(363)	(322)
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**796**	**1 159**
Current		
As at the beginning of period	7 200	5 111
Increases / decreases during the period	(1 689)	2 089
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**5 830**	**7 200**

Other provisions	Change in 2014	Change in 2013
Non-current		
As at the beginning of period	30 432	37 808
Increases / decreases during the period	(11 386)	(7 376)
Increases / decreases during the period as a result of acquisitions	-	-
As at the end of period	**19 046**	**30 432**
Current		
As at the beginning of period	11 849	9 298
Increases / decreases during the period	(1 099)	2 551
Increases / decreases during the period as a result of acquisitions / disposals	-	-
As at the end of period	**10 440**	**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. during Q4 2014 and FY 2014, as well as Q4 2013 and FY 2013:

(amounts in PLN 000s, unless otherwise stated)

Issue and buy-back of bonds in Q4 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	**35 000**	**-**	**35 000**	-	**-**	-
Issue of bonds	103 500	-	103 500	-	-	-
Buy-back of bonds	(105 000)	-	(105 000)	-	-	-
As at the end of period	**33 500**	**-**	**33 500**	**-**	**-**	**-**

Issue and buy-back of bonds in FY 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	*403 500*	-	*403 500*	-	-	-
Buy-back of bonds	*(390 000)*	-	*(373 500)*	*(11 000)*	-	*(5 500)*
As at the end of period	**33 500**	**-**	**33 500**	**-**	**-**	**-**

Issue and buy-back of bonds in Q4 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**	**-**	**88 000**	**7 500**	**49 500**	**5 000**
Issue of bonds	*320 000*	-	*173 500*	*29 500*	*101 000*	*16 000*
Buy-back of bonds	*(450 000)*	-	*(258 000)*	*(26 000)*	*(150 500)*	*(15 500)*
As at the end of period	**20 000**	**-**	**3 500**	**11 000**	**-**	**5 500**

Issue and buy-back of bonds in FY 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**

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. during the fourth quarter of 2014 and 2013, along with FY 2014 and FY 2013 figures:

Issue and buy-back of bonds in Q4 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	**121 000**	**-**	**118 500**	**-**	**2 500**
Issue of bonds	*382 400*	-	*373 900*	-	*8 500*
Buy-back of bonds	*(403 400)*	-	*(392 400)*	-	*(11 000)*
As at the end of period	**100 000**	**-**	**100 000**	**-**	**-**

(amounts in PLN 000s, unless otherwise stated)

Issue and buy-back of bonds in FY 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	*1 299 400*	-	*1 279 900*	*6 000*	*13 500*
Buy-back of bonds	*(1 327 400)*	-	*(1 307 900)*	*(6 000)*	*(13 500)*
As at the end of period	**100 000**	**-**	**100 000**	**-**	**-**

Issue and buy-back of bonds in Q4 2013	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
As at the beginning of period	**87 000**	**-**	**87 000**	**-**
Issue of bonds	*336 000*	-	*336 000*	-
Buy-back of bonds	*(295 000)*	-	*(295 000)*	-
As at the end of period	**128 000**	**-**	**128 000**	**-**

Issue and buy-back of bonds in FY 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**	**-**

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

Subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.) has signed 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.) during Q4 and FY 2014, as well as Q4 and FY 2013:

Issue and buy-back of bonds in Q4 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	**163 000**	**-**	**-**	**56 000**	**100 000**	**7 000**
Issue of bonds	*530 500*	-	-	*173 000*	*326 500*	*31 000*
Buy-back of bonds	*(513 000)*	-	-	*(171 000)*	*(315 000)*	*(27 000)*
As at the end of period	**180 500**	**-**	**-**	**58 000**	**111 500**	**11 000**

Issue and buy-back of bonds in FY 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	*1 812 500*	-	-	*618 000*	*1 092 500*	*102 000*
Buy-back of bonds	*(1 804 000)*	-	*(21 000)*	*(609 000)*	*(1 083 000)*	*(91 000)*
As at the end of period	**180 500**	**-**	**-**	**58 000**	**111 500**	**11 000**

Issue and buy-back of bonds in Q4 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**

Issue and buy-back of bonds in FY 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 was sent to Millennium DM S.A.

Debt liabilities as at 31 December 2014

Issuer	Series	Par value (in PLN 000s)	Maturity date	As at 31 Dec 2014
Stokrotka Sp. z o.o.	0132*	100 000	2015-01-23	
Elpro Ekon Sp. z o.o. S.K.A.	0155*	33 500	2015-01-23	
Elpro Development S.A. (formerly P1 Sp. z o.o.)	0023*	11 000	2015-01-23	
Elpro Development S.A. (formerly P1 Sp. z o.o.)	0023*	58 000	2015-01-23	
Elpro Development S.A. (formerly P1 Sp. z o.o.)	0023*	111 500	2015-01-23	
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 liabilities as at 31 December 2013

Issuer	Series	Par value (in PLN 000s)	Maturity date	As at 31 Dec 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 Q4 2014.

(amounts in PLN 000s, unless otherwise stated)

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 FY 2014	Credit facilities	Bank guarantees	Security interests
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**	**-**
Guarantees			
As at the beginning of period	-	43 000	17 096
Increases during the period	-	4 500	13 150
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**	**23 246**

Changes in off-balance sheet liabilities in FY 2013	Credit facilities	Bank guarantees	Security interests
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**	**-**
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.

(amounts in PLN 000s, unless otherwise stated)

Impairment of property, plant and equipment	Change in 2014
As at the beginning of period	9 427
Recognition	1 290
Reversal	(2 795)
Changes as a result of acquisitions / disposals	-
As at the end of period	**7 921**
Impairment of receivables	
As at the beginning of period	9 944
Recognition	2 346
Reversal	(1 165)
Changes as a result of acquisitions / disposals	-
*Derecognised from statement of profit and loss**	(1 639)
As at the end of period	**9 486**
Impairment of inventory	
As at the beginning of period	10 031
Recognition	13 744
Reversal	(8 045)
Changes as a result of acquisitions / disposals	-
As at the end of period	**15 730**
including: Impairment losses on inventory control	
As at the beginning of period	515
Recognition	11 475
Reversal	(7 095)
Changes as a result of acquisitions / disposals	-
As at the end of period	**4 895**
including: Impairment losses on bonuses	
As at the beginning of period	9 516
Recognition	2 269
Reversal	(950)
Changes as a result of acquisitions / disposals	-
As at the end of period	**10 835**

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

Impairment of property, plant and equipment	Change in FY 2013
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**

(amounts in PLN 000s, unless otherwise stated)

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 assets	Change in 2014	Change in 2013
As at the beginning of period	20 053	21 148
Increase	1 779	*3 078*
Decrease	(4 235)	*(4 173)*
Change as a result of acquisition	-	-
As at the end of period	**17 597**	**20 053**

Deferred income tax provision	Change in 2014	Change in 2013
As at the beginning of period	2 229	1 992
Recognition	1 054	*3 508*
Reversal	(539)	*(3 271)*
Change as a result of acquisition	-	-
As at the end of period	**2 744**	**2 229**

7.14.11 Financial and operating leasing

a) Finance lease liabilities

Finance lease liabilities	31 Dec 2014	
	Minimum payments	Present value of minimum payments
Within 1 year	1 282	903
Within 1 to 5 years	2 930	2 647
Within more than 5 years	-	-
Total	**4 212**	**3 550**

(amounts in PLN 000s, unless otherwise stated)

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

Q4 2014

Asset	Term of agreement	As at 31 Dec 2014	As at 31 Dec 2015	From 1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	82 673	118 394	471 797	589 510
	unspecified	2 753	2 854	11 414	14 268
Technical equipment and machinery	specified	16	4	-	-
	unspecified	94	94	377	471
Means of transport	specified	6 824	6 334	25 337	31 672
	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 Q4 2014.

7.14.13 Correction of prior-period errors

Did not take place in Q4 2014.

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

Did not take place in Q4 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 across 240 stores, 10 warehouses and its headquarters. We serve thousands of customers every day. Given such a large number of people and locations, we implement the following pro-environment initiatives:

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

Mammobuses

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

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.

Feeding Hungry Animals

Our company has decided to become involved in helping animals. At many of our supermarkets, we organise cyclical food collections for dogs and cats from the animal shelters that want to work together with Stokrotka.

The campaign's motto is "Feed a Hungry One." We want to draw our clients' attention to the problems that Polish animal shelters face each day: overcrowding and underfunding. Donating food for homeless dogs and cats during daily shopping at the client's preferred location can be an excellent way of helping. This does not require much of an effort but is important for the animals that do not have the good fortune of living in a loving and caring home.

Open Days

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

Employee Rewards

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

Sponsorship

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

Internship and Job Fair

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

(amounts in PLN 000s, unless otherwise stated)

7.14.16 Other significant events

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 :

Transaction date	Number of purchased shares	Nominal value of shares	Price per share (in PLN)	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%
18 November 2014	24 949	PLN 1	48.63	24 949	0.164%
28 November 2014	22 620	PLN 1	47.39	22 620	0.149%
10 December 2014	24 255	PLN 1	50.10	24 255	0.160%
23 December 2014	22 386	PLN 1	50.93	22 386	0.147%

Elpro Development S.A. (formerly P1 Sp. z o.o.) Emperia Holding Sp. z o.o. held a total of 2 281 605 shares in the Issuer, entitling to 2 281 605 (15.031%) votes at the Issuer's general meeting and constituting 15.031% 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.

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.

On 9 December 2014, Emperia Holding S.A.'s Management Board received information from Millennium DM S.A. on the buyback of 41 364 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.

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 14 November 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 324 million.

On 14 November 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 12 December 2014, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 336 million.

On 12 December 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 23 January 2015, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 340.5 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) Extraordinary General Meeting of Emperia Holding S.A.

On 26 November 2014, an Extraordinary General Meeting of Emperia Holding S.A. was held, which adopted a resolution on redemption of own shares, purchased by the company, and reduction in share capital, alongside adoption of a resolution on consent for purchasing shares of Emperia Holding S.A. by subsidiaries for redemption, and adoption of a resolution regarding amendment of the Company's articles of association in as far as the expiry date for call options is concerned as well as amendments pertaining to an independent member of the Supervisory Board.

(amounts in PLN 000s, unless otherwise stated)

g) Offer to purchase shares in Emperia Holding S.A. by subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.)

On 12 December 2014, the Management Board of Emperia Holding S.A. announced an offer to purchase shares in Emperia Holding S.A. by subsidiary Elpro Development S.A. (formerly P1 Sp. z o.o.). The subject of the offer was up to 100 000 ordinary bearer shares. The offer price was PLN 50 per share.
Under the purchase proposal, Elpro Development S.A. (formerly P1 Sp. z o.o.) purchased 100 000 shares, constituting 0.659% of Emperia Holding S.A.'s share capital and entitling to 100 000 (0.659%) of votes at the general meeting. The shares bought back are to be redeemed by the Issuer.

h) Notifications regarding transactions executed by persons with access to confidential information

On 19 December 2014, the Management Board of Emperia Holding S.A. received information that a member of the Company's Supervisory Board donated 15 000 shares in Emperia Holding S.A. The donation was executed pursuant to a civil-law agreement, outside the regulated market.

On 19 December 2014, the Management Board of Emperia Holding S.A. received information that a person having close ties to a member of the Company's Supervisory Board received 15 000 shares in Emperia Holding S.A. The donation was executed pursuant to a civil-law agreement, outside the regulated market.

On 19 December 2014, the Management Board of Emperia Holding S.A. received information that a person having close ties to a member of the Company's Supervisory Board donated 15 000 shares in Emperia Holding S.A. The donation was executed pursuant to a civil-law agreement, outside the regulated market.

i) Management Board resolution on adoption of a buy-back programme at Emperia Holding S.A.

On 30 December 2014, the Management Board of Emperia Holding S.A. passed a resolution extending the "Buy-back programme at Emperia Holding S.A. by ELPRO DEVELOPMENT S.A., based in Lublin (formerly P1 Sp. z o.o.)" to 31 March 2015.

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: :

Transaction date	Number of purchased shares	Nominal value of shares	Price per share (in PLN)	Number of votes at Emperia Holding S.A.'s general meeting	% of share capital
13 January 2015	10 730	PLN 1	49.90	10 730	0.071%
29 January 2015	25 231	PLN 1	50.05	25 231	0.166%
9 February 2015	21 785	PLN 1	54.18	21 785	0.143%
18 February 2015	31 495	PLN 1	53.87	31 495	0.207%

Elpro Development S.A. (formerly P1 Sp. z o.o.) and Emperia Holding Sp. z o.o. held a total of 2 370 846 shares in the Issuer, entitling to 2 370 846 (15.574%) votes at the Issuer's general meeting and constituting 15.574% of the Issuer's share capital.

b) Purchase of shares in Emperia Holding S.A. by a member of Emperia Holding S.A.'s Supervisory Board

On 16 January, the Management Board of Emperia Holding S.A. announced that it received notification from a person on Emperia Holding S.A.'s Supervisory Board regarding registration in his securities accounts of a total of 15 000 shares of Emperia Holding S.A., series P, purchased under the Management Options Programme. The shares were purchased for PLN 24.82 each.

c) Intra-group bond issuance and redemption

On 23 January 2015, 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 27 February 2015, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 336 million.

On 27 February 2015, 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 27 March 2015, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 331 million.

d) Resolution by Emperia Holding S.A.'s Management Board regarding amendment of "Emperia Holding S.A.'s buyback programme by Elpro Development S.A., based in Lublin (formerly P1 Sp. z o.o.)"

On 29 January 2015, Emperia Holding S.A.'s Management Board announced that it had adopted resolutions regarding amendment of "Emperia Holding S.A.'s buyback programme by Elpro Development S.A., based in Lublin (formerly P1 Sp. z o.o.). Pursuant to the agreed resolutions, the buyback programme size was increased to PLN 70 million, and the programme extended to 31 December 2015.

(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		EUR	
		For the period from 1 Jan 2014 to 31 Dec 2014	For the period from 1 Jan 2013 to 31 Dec 2013	For the period from 1 Jan 2014 to 31 Dec 2014	For the period from 1 Jan 2013 to 31 Dec 2013
I.	Net revenue from sale of products, goods and materials	13 934	6 396	3 326	1 519
II.	Operating profit (loss)	4 546	(3 622)	1 085	(860)
III.	Profit (loss) before tax	19 376	13 825	4 625	3 283
IV.	Profit (loss) for the period	16 832	12 177	4 018	2 892
V.	Net cash flows from operating activities	111 158	(9 417)	26 534	(2 236)
VI.	Net cash flows from investing activities	(52 801)	39 045	(12 604)	9 272
VII.	Net cash flows from financing activities	(102 606)	(13 372)	(24 492)	(3 175)
VIII.	Total net cash flows	(44 248)	16 255	(10 562)	3 860
IX.	Total assets	595 511	584 016	139 716	140 822
X.	Liabilities and liability provisions	100 584	3 314	23 599	799
XI.	Total non-current liabilities	797	656	187	158
XII.	Total current liabilities	99 787	2 658	23 412	641
XI.	Equity	494 927	580 702	116 117	140 023
XIV.	Share capital	15 180	15 115	3 561	3 645
XV.	Number of shares	15 179 589	15 115 161	15179589	15 115 161
XVI.	Weighted average number of shares	13 440 114	14 235 425	13 440 114	14 235 425
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	1.25	0.86	0.30	0.20
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	1.25	0.85	0.30	0.20
XIX.	Book value per share* (in PLN/EUR)	36.82	40.79	8.64	9.84
XX.	Diluted book value per share** (in PLN/EUR)	36.76	40.50	8.62	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 2014 (January-December): 13 440 114;
- for 2013 (January-December): 14 235 425;

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 Q4 2014 was EURPLN 4.1893 and for Q4 2013: EURPLN 4.2110.

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 31 December 2014: EURPLN 4.2623; 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 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

	31 Dec 2014	30 Sep 2014	31 Dec 2013	30 Sep 2013
Non-current assets	**384 877**	**390 520**	**321 401**	**285 955**
Property, plant and equipment	46 997	52 628	51 168	15 369
Investment properties	-	-	-	-
Intangible assets	1 588	1 777	3 582	3 870
Financial assets	336 204	336 041	266 493	266 393
Non-current receivables	-	-	56	226
Deferred income tax assets	87	73	99	97
Other non-current prepayments	1	1	3	-
Current assets	**210 634**	**197 568**	**262 615**	**296 707**
Inventory	-	-	-	-
Current receivables	1 241	1 511	11 337	2 262
Income tax receivables	-	-	-	-
Short-term securities	163 997	188 609	152 131	174 815
Prepayments	89	88	83	319
Cash and cash equivalents	45 307	7 360	89 555	107 598
Other financial assets	-	-	6 497	11 713
Assets classified as held for sale	-	-	3 012	-
Total assets	**595 511**	**588 088**	**584 016**	**582 662**
Equity	**494 927**	**584 031**	**580 702**	**579 233**
Share capital	15 180	15 180	15 115	15 115
Share premium	551 988	551 988	549 559	549 559
Supplementary capital	2 525	2 526	2 526	2 526
Management options provision	3 341	2 250	3 145	3 145
Reserve capital	63 268	63 268	63 200	63 200
Buy-back provision	-	-	-	-
Own shares	(158 208)	(65 020)	(65 020)	(65 020)
Retained earnings	16 832	13 838	12 177	10 708
Equity attributable to owners of the parent	**494 927**	**584 031**	**580 702**	**579 233**
Total non-current liabilities	**797**	**697**	**656**	**729**
Credit facilities, loans and debt instruments	-	-	-	-
Non-current liabilities	96	111	15	15
Provisions	26	21	21	29
Deferred income tax provision	675	565	620	685
Total current liabilities	**99 787**	**3 360**	**2 658**	**2 700**
Credit facilities, loans and debt instruments	-	1	-	-
Current liabilities	97 418	1 595	1 534	1 666
Income tax liabilities	1 420	1 040	199	118
Provisions	852	705	909	901
Deferred revenue	97	19	16	15
Total equity and liabilities	**595 511**	**588 088**	**584 016**	**582 662**

(amounts in PLN 000s, unless otherwise stated)

	31 Dec 2014	30 Sep 2014	31 Dec 2013	30 Sep 2013
Book value	494 928	584 031	580 702	579 233
Number of shares	15 179 589	15 179 589	15 115 161	15 115 161
Diluted number of shares	13 465 487	13 669 412	14 338 927	14 445 608
Book value per share (in PLN)*	36.82	42.88	40.79	40.38
Diluted book value per share (in PLN)**	36.76	42.73	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

	3 months ended 31 Dec 2014	12 months ended 31 Dec 2014	3 months ended 31 Dec 2013	12 months ended 31 Dec 2013
Revenue from sales	3 682	13 934	1 399	6 396
Cost of sales	(1 850)	(7 172)	(1 172)	(6 415)
Profit on sales	**1 832**	**6 762**	**227**	**(19)**
Other operating revenue	1 354	3 076	34	972
Selling costs	-	-	-	-
Administrative expenses	(967)	(4 039)	(859)	(3 802)
Other operating expenses	(573)	(1 253)	(109)	(773)
Operating profit	**1 646**	**4 546**	**(707)**	**(3 622)**
Finance income	2 145	15 286	2 533	17 450
Finance costs	(33)	(456)	(1)	(3)
Profit before tax	**3 758**	**19 376**	**1 825**	**13 825**
Income tax	(764)	(2 544)	(356)	(1 648)
- current	(668)	(2 476)	(423)	(1 798)
- deferred	(96)	(68)	67	150
Profit for the period	**2 994**	**16 832**	**1 469**	**12 177**
Profit for the period attributable to owners of the parent	2 994	16 832	1 469	12 177
Profit for the period attributable to non-controlling interests		-	-	-
Profit (loss) for the period (annualised)		16 832		12 177
Weighted average number of ordinary shares		13 440 114		14 235 425
Weighted average diluted number of ordinary shares*		13 465 487		14 338 927
Profit (loss) per ordinary share, annualised (in PLN)		1.25		0.86
Diluted profit (loss) per ordinary share, annualised* (in PLN)		1.25		0.85

* Weighted average diluted number of ordinary shares:

- for 2014 (January-December): 13 465 487, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.
- for 2013 (January-December): 14 338 927, 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	3 months ended 31 Dec 2014	12 months ended 31 Dec 2014	3 months ended 31 Dec 2013	12 months ended 31 Dec 2013
Profit for the period	**2 994**	**16 832**	**1 469**	**12 177**
Other comprehensive income	(1)	(1)	-	-
- Revaluation of liabilities for employee benefits	(1)	(1)	-	-
- Income tax on components of other comprehensive income	-	-	-	-
Comprehensive income for the period	**2 993**	**16 831**	**1 469**	**12 177**

(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	Own shares	Retained earnings	Total equity
1 October 2014	**15 180**	**551 988**	**2 526**	**2 250**	**63 268**	**(65 020)**	**13 838**	**584 031**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
1 October 2014, adjusted	**15 180**	**551 988**	**2 526**	**2 250**	**63 268**	**(65 020)**	**13 838**	**584 031**
Profit for the period	-	-	-	-	-	-	2 994	2 994
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Decrease as a result of share redemption	-	-	(1)	-	-	-	-	(1)
Bond issuance - incentive scheme	-	-	-	1 091	-	-	-	1 091
Allocation of previous year's profit - increase of equity	-	-	-	-	-	-	-	-
Allocation of previous year's profit - dividend	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(93 188)	-	(93 188)
31 December 2014	**15 180**	**551 988**	**2 525**	**3 341**	**63 268**	**(158 208)**	**16 832**	**494 927**

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	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**
Change 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	-	-	-	-	-	-	16 832	16 832
Capital increase as a result of share issue	-	-	-	-	-	-	-	-
Share issuance - incentive scheme	65	2 429	-	(2 494)	-	-	-	-
Decrease as a result of share redemption	-	-	(1)	-	-	-	-	(1)
Bond issuance - incentive scheme	-	-	-	2 691	-	-	-	2 691
Measurement of management options	-	-	-	-	-	-	-	-
Allocation of previous year's profit - increase of equity	-	-	-	-	68	-	(68)	-
Allocation of previous year's profit - dividend	-	-	-	-	-	-	(12 109)	(12 109)
Purchase of own shares	-	-			-	(93 188)	-	(93 188)
31 December 2014	**15 180**	**551 988**	**2 525**	**3 341**	**63 268**	**(158 208)**	**16 832**	**494 927**

(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 October 2013	**15 115**	**549 559**	**2 526**	**3 145**	**63 200**	**(65 020)**	**10 708**	**579 233**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
1 October 2013, adjusted	**15 115**	**549 559**	**2 526**	**3 145**	**63 200**	**(65 020)**	**10 708**	**579 233**
Comprehensive income for the 12 months ended 31 December 2013	-	-	-	-	-	-	1 469	1 469
Management options measurement	-	-	-	-	-	-	-	-
Prior-year profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Creation of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Dividend from prior-year profit	-	-	-	-	-	-	-	-
31 December 2013	**15 115**	**549 559**	**2 526**	**3 145**	**63 200**	**(65 020)**	**12 177**	**580 702**

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
As at the beginning of period: 1 January 2013	**15 115**	**549 559**	**2 526**	**3 145**	**62 979**	**(65 020)**	**13 593**	**581 897**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
As at the beginning of period, adjusted	**15 115**	**549 559**	**2 526**	**3 145**	**62 979**	**(65 020)**	**13 593**	**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	-	-	-	-	-	-	-	-
31 December 2013	**15 115**	**549 559**	**2 526**	**3 145**	**63 200**	**(65 020)**	**12 177**	**580 702**

(amounts in PLN 000s, unless otherwise stated)

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

	12 months ended 31 Dec 2014	12 months ended 31 Dec 2013
Profit (loss) for the period	**16 832**	**12 177**
Adjusted by:	**94 326**	**(21 594)**
Depreciation / amortisation	2 346	1 706
Interest and shares of profit (dividends)	(13 339)	(14 599)
Income tax	2 544	1 648
Profit (loss) on investing activities	(775)	(694)
Change in provisions	(52)	445
Change in inventory	-	20
Change in receivables	9 401	(8 189)
Change in prepayments	78	664
Change in liabilities	95 378	(271)
Income tax paid	(1 255)	(2 324)
Net cash from operating activities	**111 158**	**(9 417)**
Inflows	**1 736 182**	**2 395 857**
Disposal of property, plant and equipment and intangible assets	13 420	2 042
Disposal of financial assets	1 707 462	2 353 328
Dividends received	7 566	5 774
Interest received	39	696
Repayment of loans issued	7 696	34 017
Other inflows	-	-
Outflows	**(1 788 983)**	**(2 356 812)**
Purchase of property, plant and equipment and intangible assets	(4 659)	(40 405)
Purchase of subsidiaries and associates	(70 133)	(471)
Purchase of financial assets	(1 712 991)	(2 303 923)
Borrowings granted	(1 200)	(12 013)
Other outflows	-	-
Net cash from investing activities	**(52 801)**	**39 045**
Inflows	**2 692**	**-**
Proceeds from credit facilities and loans	-	-
Issue of short-term debt instruments	1	-
Proceeds from equity issuance	2 691	-
Other inflows	-	-
Outflows	**(105 298)**	**(13 372)**
Repayment of borrowings	-	-
Buy-back of short-term debt instruments	(1)	-
Interest and fees paid	-	-
Dividends paid	(12 109)	(13 372)
Purchase of own shares	(93 188)	-
Other outflows	-	-
Net cash from financing activities	**(102 606)**	**(13 372)**

(amounts in PLN 000s, unless otherwise stated)

Change in cash and cash equivalents	**(44 248)**	**16 255**
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	**89 555**	**73 300**
Cash and cash equivalents at the end of period	**45 307**	**89 555**

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 Holding Group's consolidated financial statements. Details are presented in point 6.2.

Lublin, March 2015

Signatures of all Management Board members:

2015-03-02 Dariusz Kalinowski President of the Management Board

....
Signature

2015-03-02 Cezary Baran Vice-President of the Management Board, Finance Director

....
Signature

Signatures of the persons responsible for book-keeping

2015-03-02 Elżbieta Świniarska Economic Director

....
Signature