

Emperia Holding



CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2017

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

WARSAW

Emperia Group means:



- *credibility and prioritising shareholder interests*

- *customer-centric culture*

- *growth and openness*

- *working together*

- *effectiveness*

- *reliability and engagement*

Credibility and prioritising shareholder interests

- Emperia, **winner of multiple awards and leading Polish retailer**, has been an active player on Poland's retail market for the past 27 years
- Our **aim** is to **create value** for shareholders
- Emperia is **financially stable** and has been listed on the **Warsaw Stock Exchange** for 15 years
- **Credibility** in the eyes of our shareholders is our **top priority**
- Emperia operates **transparently and openly**, while emphasising **corporate governance** and **ethics in business**.



Customer-centric culture

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

Growth and openness



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

Working together



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

Reliability and engagement

- We are **honest** with our employees, business



run an
I get involved in

e the
member of our
team

Effectiveness



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

Welcome!

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1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016
I.	Net revenue from sale of products, goods and materials	2 576 513	2 385 207	606 995	545 103
II.	Operating profit (loss)	42 292	61 703	9 963	14 101
III.	Profit (loss) before tax	38 894	61 233	9 163	13 994
IV.	Profit (loss) for the period	35 752	50 552	8 423	11 553
V.	Net cash flows from operating activities	99 459	91 000	23 431	20 797
VI.	Net cash flows from investing activities	(43 510)	(28 116)	(10 250)	(6 425)
VII.	Net cash flows from financing activities	(7 039)	(20 247)	(1 658)	(4 627)
VIII.	Total net cash flows	48 910	42 637	11 523	9 744
IX.	Total assets	1 143 201	1 062 813	274 090	240 238
X.	Liabilities and liability provisions	490 888	436 545	117 694	98 677
XI.	Non-current liabilities	16 389	20 034	3 929	4 528
XII.	Current liabilities	474 499	416 511	113 764	94 148
XIII.	Equity	652 313	626 268	156 396	141 561
XIV.	Share capital	12 342	12 342	2 959	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 933 984	12 086 113	11 933 984	12 086 113
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	3.00	4.18	0.71	0.96
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	3.00	4.18	0.71	0.96
XIX.	Book value per share* (in PLN/EUR)	54.66	51.82	13.11	11.71
XX.	Diluted book value per share** (in PLN/EUR)	54.66	51.82	13.11	11.71
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	-	-	-

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

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

Weighted average number of shares:

- for Q1-Q4 2017 (January-December): 11 933 984

- for Q1-Q4 2016 (January-December): 12 086 113

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

- 1 Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for Q1-Q4 2017 was EURPLN 4.2447 and for Q1-Q4 2016: EURPLN 4.3757.
- 2 Balance sheet items and book value / diluted book value are translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 31 December 2017: EURPLN 4.1709; as at 31 December 2016: EURPLN 4.4240.

2. Condensed consolidated statement of financial position

Assets	31 Dec 2017	31 Dec 2016
Non-current assets	635 417	609 180
Property, plant and equipment	412 714	386 866
Investment properties	120 518	123 441
Intangible assets	3 802	4 118
Goodwill	39 200	52 044
Financial assets	39	37
Non-current loans	213	263
Non-current receivables	8 542	5 532
Deferred income tax assets	30 722	18 053
Other non-current prepayments	19 667	18 826
Current assets	507 784	453 633
Inventories	233 168	217 962
Receivables	68 859	80 733
Income tax receivables	1 415	656
Prepayments	7 989	6 087
Cash and cash equivalents	195 341	146 432
Other financial assets	1 012	1 763
Total assets	1 143 201	1 062 813

Equity and liabilities	31 Dec 2017	31 Dec 2016
Equity	652 313	626 268
Share capital	12 342	12 342
Share premium	419 964	419 964
Supplementary capital	99 905	99 905
Management options provision	-	-
Reserve capital	90 771	72 766
Own shares	(27 540)	(23 320)
Retained earnings	56 871	44 611
Total equity attributable to owners of the parent	652 313	626 268
Non-controlling interests	-	-
Total non-current liabilities	16 389	20 034
Credit facilities, loans and debt instruments	-	600
Non-current liabilities	1 958	3 472
Provisions	6 759	10 474
Deferred income tax provision	7 672	5 488
Total current liabilities	474 499	416 511
Credit facilities, loans and debt instruments	746	1 122
Current liabilities	448 496	388 725
Income tax liabilities	597	613
Provisions	20 849	18 734
Deferred revenue	3 811	7 317
Total equity and liabilities	1 143 201	1 062 813

	31 Dec 2017	31 Dec 2016
Book value	652 313	626 268
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 933 984	12 086 113
Diluted number of shares	11 933 984	12 086 113
Book value per share (in PLN)	52.85	50.74
Book value per share (in PLN)*	54.66	51.82
Diluted book value per share (in PLN)**	54.66	51.82

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

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

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

	Three months ended 31 Dec 2017	12 months ended 31 Dec 2017	Three months ended 31 Dec 2016	12 months ended 31 Dec 2016
Revenue from sales	699 319	2 576 513	627 032	2 385 207
Cost of sales	(498 147)	(1 840 801)	(446 113)	(1 706 311)
Profit on sales	201 172	735 712	180 919	678 896
Other operating revenue	1 366	12 413	6 956	21 423
Selling costs	(163 794)	(621 793)	(150 313)	(572 640)
Administrative expenses	(25 782)	(74 286)	(15 083)	(56 548)
Other operating expenses	(2 277)	(9 754)	(2 918)	(9 428)
Operating profit	10 685	42 292	19 561	61 703
Finance income	335	1 254	248	946
Finance costs	(2 531)	(4 652)	(698)	(1 416)
Profit before tax	8 489	38 894	19 111	61 233
Income tax	1 638	(3 142)	(3 349)	(10 681)
- current	(1 119)	(5 492)	(1 113)	(5 635)
- deferred	2 757	2 350	(2 236)	(5 046)
Profit for the period	10 127	35 752	15 762	50 552
Profit for the period attributable to owners of the parent	10 127	35 752	15 762	50 552

Profit for the period, annualised	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit (loss) for the period, including:	35 752	50 552
Number of shares	12 342 027	12 342 027
Weighted average number of ordinary shares	11 933 984	12 086 113
Weighted average diluted number of ordinary shares	11 933 984	12 086 113
Profit (loss) per ordinary share, annualised (in PLN)	2.90	4.10
Profit (loss) per ordinary share, annualised (in PLN)*	3.00	4.18
Diluted profit (loss) per ordinary share, annualised (in PLN)**	3.00	4.18

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

** weighted average diluted number of ordinary shares:

- for Q1-Q4 2017 and 2016: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled

Statement of comprehensive income	Three months ended 31 Dec 2017	12 months ended 31 Dec 2017	Three months ended 31 Dec 2016	12 months ended 31 Dec 2016
Profit for the period	10 127	35 752	15 762	50 552
Other comprehensive income (not subject to reclassification to results):	(78)	(76)	(423)	(423)
- Exchange difference on translation of foreign entities	(1)	1	-	-
- Revaluation of employee benefit liabilities	(94)	(94)	(522)	(522)
- Income tax on components of other comprehensive income	17	17	99	99
Comprehensive income for the period	10 049	35 676	15 339	50 128
Comprehensive income attributable to shareholders of the parent	10 049	35 676	15 339	50 128

4. Condensed consolidated statement of changes in equity

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2017	12 342	419 964	99 905	-	72 766	(23 320)	44 611	626 268
Correction of fundamental errors	-	-	-	-	-	-	(5 411)	(5 411)
1 Jan 2017, adjusted	12 342	419 964	99 905	-	72 766	(23 320)	39 200	620 857
Comprehensive income for the 12 months ended 31 Dec 2017	-	-	-	-	-	-	35 676	35 676
2016 profit distribution - transfer to equity	-	-	-	-	18 005	-	(18 005)	-
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(4 220)	-	(4 220)
Redemption of own shares	-	-	-	-	-	-	-	-
31 Dec 2017	12 342	419 964	99 905	-	90 771	(27 540)	56 871	652 313

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2016	13 235	471 424	97 558	2 588	47 661	(57 487)	19 925	594 904
Comprehensive income for the 12 months ended 31 Dec 2016	-	-	-	-	-	-	50 128	50 128
2015 profit distribution - transfer to equity	-	-	-	-	25 442	-	(25 442)	-
Share issuance - incentive scheme	7	283	-	(241)	-	-	-	49
Purchase of own shares	-	-	-	-	-	(18 813)	-	(18 813)
Redemption of own shares	(900)	(51 743)	-	-	(337)	52 980	-	-
Reclassification of capital after settlement of all incentive schemes	-	-	2 347	(2 347)	-	-	-	-
31 Dec 2016	12 342	419 964	99 905	-	72 766	(23 320)	44 611	626 268

5. Condensed consolidated statement of cash flows

Operating activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit (loss) for the period	35 752	50 552
Adjusted by:	63 707	40 448
Depreciation / amortisation	50 800	48 935
(Profit) loss on exchange differences	121	121
Interest and shares of profit (dividends)	1 410	387
Income tax	3 141	10 681
Profit (loss) on investing activities	1 011	(12 388)
Change in provisions	(1 694)	(4 540)
Change in inventories	(15 891)	(18 927)
Change in receivables	(4 629)	2 565
Change in prepayments	(6 003)	(7 114)
Change in liabilities	41 872	25 335
Income tax paid	(6 267)	(4 772)
Other adjustments	(164)	166
Net cash from operating activities	99 459	91 000

Investing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	16 664	37 381
Disposal of property, plant and equipment and intangible assets	15 478	15 801
Disposal of financial assets	-	19 317
Interest received	67	123
Repayment of loans issued	1 119	2 140
Outflows	(60 174)	(65 497)
Purchase of property, plant and equipment and intangible assets	(58 854)	(56 608)
Purchase of financial assets	-	(7 994)
Borrowings granted	(1 320)	(895)
Other outflows	-	-
Net cash from investing activities	(43 510)	(28 116)

Financing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	20 000	20 149
Proceeds from equity issuance	20 000	49
Proceeds from credit facilities and loans	-	20 100
Outflows	(27 039)	(40 396)
Repayment of borrowings	(20 000)	(20 000)
Payment of finance lease liabilities	(1 097)	(1 002)
Interest and fees paid	(1 722)	(582)
Purchase of own shares	(4 220)	(18 812)
Net cash from financing activities	(7 039)	(20 247)
Change in cash and cash equivalents	48 909	42 637
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	146 432	103 795
Cash and cash equivalents at the end of period	195 341	146 432

6. Additional information

6.1 Description of Group structure

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

Emperia Group ("Group") focuses on four operating segments, with the main one being the retail segment, made up by the Stokrotka Sp. z o.o. store chain.

The IT segment covers the activities of Infinite Sp. z o.o. and Infinite IT Solutions SRL, which develop IT solutions for industries such as FMCG, automotive, heavy industry, logistics, SHE and DIY.

The property segment manages Emperia Group's properties. The segment invests in facilities intended for retail operations - mini-galleries and shopping parks up to 2 000 sqm.

The central management segment covers management functions, holding services and advisory within the Group.

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

Since 1 April 2007, the principal object of Emperia Holding S.A. is activities of holding companies (PKD 70.10.Z). The company is a VAT payer, with NIP no. 712-10-07-105.

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

The financial year for Group companies is the calendar year. Group companies have been established for an indefinite period of time.

These consolidated financial statements are prepared for the period from 1 January 2017 to 31 December 2017, and the comparative financial data covers the period from 1 January 2016 to 31 December 2016.

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

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

Information on consolidation

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

As at 31 December 2017, consolidation included Emperia Holding S.A. and five subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Development S.A., Eldorado Spółka z o.o. and Infinite IT Solutions SRL.

During Q4 2017, Emperia Group's structure was not subject to changes.

Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date/date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	KRS no. 509157, District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
Eldorado Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	03-10-2011	100.00%	100.00%
Infinite IT Solutions SRL	SOS. BUCARESTI - PLOIESTI NR. 9-13, ZONA I, ET. 5, SECTOR 1, 13693 BUCHAREST ROMANIA	IT operations	Court Trade Register Office in Bucharest, register no. J40/153324/05.09.2017.	Subsidiary	Full	05-09-2017	100.00%	100.00%

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

(1) indirectly through Elpro Development S.A.

6.2 Description of key accounting principles

6.2.1 Basis for preparing consolidated financial statements

The consolidated financial statements were prepared under the historical cost convention, except for financial assets measured at fair value.

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

6.2.2 Statement on compliance and basis for preparing the financial statements

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

These condensed consolidated financial statements were prepared under the historical cost convention, except for financial assets measured at fair value.

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

6.2.3 Segment reporting

Segment reporting identifies operating segments, which are a component of Emperia Group:

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

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

1. Retail (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.

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

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

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

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

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

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms. These transactions are subject to exclusion from consolidated financial statements and are presented in the "exclusions" column in the segment results information below.

6.2.4 Functional currency

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

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

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

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

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

Currency	Average exchange rate during the reporting period		Exchange rate at the end of the reporting period	
	Q1-Q4 2017	Q1-Q4 2016	31 Dec 2017	31 Dec 2016
RON/PLN	0.9155	0.9368	0.8953	0.9749

Drafting consolidated financial statements in PLN 000s necessitates rounding up, which may result in a situation where the sum totals presented may not exactly equal the sum totals for individual analytical items.

6.2.5 Discontinued operations

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

6.2.6 Accounting policy applied to these consolidated financial statements

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

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

6.2.7 Changes in adopted accounting principles

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

6.2.8 Application of standards and interpretations effective from 1 January 2017

The interim consolidated financial statements and interim separate financial statements for the fourth quarter of 2017 are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) effective as of the reporting date, i.e. 31 December 2017, with the application of the same accounting principles to all periods.

The adopted changes do not have a material effect on data presentation and measurement in these interim consolidated financial statements.

In preparing these consolidated financial statements, the Group decided against the earlier application of any standards published but not yet effective.

6.2.9 Accounting estimates

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

The effects of changes in estimated values are recognised prospectively: in the result of the period in which the estimate was changed or in the present-period result and in future periods. Areas where estimates, judgements and assumptions have material impact on consolidated financial statements are presented in Emperia Group's consolidated financial statements for 2016 (note 6.2.7).

6.2.10 Correction of errors

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

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

6.2.11 Mergers, share purchases or disposals, capital increases

No such events took place at Emperia Group during the period.

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

No such events took place at Emperia Group during the period.

7. Notes to the financial statements

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

Changes in key items from the statement of profit and loss - Q4 2017 and Q4 2016

	Q4 2017	Q4 2016	%
Revenue from sales	699 319	627 032	11.53%
Profit on sales	201 172	180 919	11.19%
EBITDA	23 667	31 945	-25.91%
Operating result	10 685	19 561	-45.38%
Gross profit	8 489	19 111	-55.58%
Net result	10 127	15 762	-35.75%

Revenue from sales in Q4 2017 went up by 11.53% from the same period last year, to PLN 699 319 000. Fourth - quarter revenue was driven primarily by growth in the retail segment.

Net profit in Q4 2017 was PLN 10 127 000, down 35.75% from the previous year.

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

- In Q4 2017, no gross profit on property sales were recognised, while in Q4 2016 gross profit was PLN 4 898 000,
- Costs related to Emperia Holding SA's tax proceeding in the fourth quarter of 2017 amounted to PLN 36 000, compared to PLN 158 000 in Q4 2016.
- Finance costs related to Emperia Holding SA's tax proceeding in the fourth quarter of 2017 amounted to PLN 1 387 000, compared to zero in Q4 2016.
- Costs related to a strategic options review in the fourth quarter of 2017 amounted to PLN 723 000, compared to PLN 221 000 in Q4 2016.
- Settlement of long-term objectives related to growth in enterprise value, costs of special bonuses for the Group's key managers in Q4 2017 reached PLN 5 665 000.
- Stokrotka capitalised a tax loss (PLN 23 399 500) and a PLN 4 446 000 deferred income tax asset in Q4 2017.

Key categories in the statement of profit and loss in Q4 2017 and 2016, after including one-off item:

	Q4 2017	Q4 2016	%
Revenue from sales	699 319	627 032	11.53%
Profit on sales	201 172	180 919	11.19%
EBITDA	30 091	27 426	9.72%
Operating result	17 109	15 042	13.74%
Gross profit	16 300	14 592	11.71%
Net result	13 492	11 243	20.00%

Changes in key items from the statement of profit and loss - 2017 and 2016

	Q1-Q4 2017	Q1-Q4 2016	%
Revenue from sales	2 576 513	2 385 207	8,02%
Profit on sales	735 712	678 896	8.37%
EBITDA	93 092	110 638	-15.86%
Operating result	42 292	61 703	-31.46%
Gross profit	38 894	61 233	-36.48%
Net result	35 752	50 552	-29.28%

Revenue from sales in 2017 went up by 8.02% from the same period last year, to PLN 2 576 513 000. Full-year 2017 revenue was driven primarily by growth in the retail segment.

Net profit in 2017 was PLN 35 752 000, down 29.28% from the previous year.

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

- In 2017, no gross profit on property sales were recognised, while in 2016 gross profit was PLN 13 546 000,
- In 2017, the retail segment reversed a PLN 1 394 000 provision for compensations,
- in 2017, the retail segment received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 323 000,
- costs related to Emperia Holding SA's tax proceeding in 2017 amounted to PLN 538 000, compared to PLN 626 000 in 2016.
- finance costs related to Emperia Holding SA's tax proceeding in 2017 amounted to PLN 2 003 000,
- costs related to a strategic options review in 2017 amounted to PLN 3 858 000, compared to PLN 211 000 in 2016,
- settlement of long-term objectives related to growth in enterprise value, costs of special bonuses for the Group's key managers in 2017 reached PLN 5 665 000,
- Stokrotka capitalised a tax loss (PLN 23 399 500) and a PLN 4 446 000 deferred income tax asset in 2017,

Key categories in the statement of profit and loss in 2017 and 2016, after one-off items:

	Q1-Q4 2017	Q1-Q4 2016	%
Revenue from sales	2 576 513	2 385 207	8.02%
Profit on sales	735 712	678 896	8.37%
EBITDA	99 436	97 939	1.53%
Operating result	48 636	49 004	-0.75%
Gross profit	47 241	48 534	-2.66%
Net result	39 653	37 853	4.76%

Changes in key balance sheet items

Item	Q1-Q4 2017	Q1-Q4 2016	%
Total assets	1 143 201	1 062 813	7.6%
Non-current assets	635 417	609 180	4.3%
Current assets	507 784	453 633	11.9%
Cash and cash equivalents	195 341	146 432	33.4%
Liabilities and liability provisions	490 888	436 545	12.4%
Total current liabilities	474 499	416 511	13.9%
Net assets	652 313	626 268	4.2%
Share capital (in PLN)	12 342 027	12 342 027	-
Current-period earnings per share, annualised* (in PLN)	3.00	4.18	-28.2%

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

Operational performance and ability to meet liabilities

Item	Q1-Q4 2017	Q1-Q4 2016
Return on invested capital (profit for the period / equity at the end of the period) in %	5.48%	8.07%
Return on assets (profit for the period / assets at the end of the period) in %	3.13%	4.76%
Sales margin (profit from sales for the period / revenue from sales for the period) in %	28.55%	28.46%
EBITDA margin (EBITDA / revenue from sales for the period) in %	3.61%	4.64%
Operating margin (operating profit for the period / revenue from sales for the period) in %	1.64%	2.59%
Gross margin (profit before tax for the period / revenue from sales for the period) in %	1.51%	2.57%
Net margin (profit for the period / revenue from sales for the period) in %	1.39%	2.12%

Turnover cycles for key components of working capital

Item	Q1-Q4 2017	Q1-Q4 2016
Inventory turnover days (inventory / value of goods for resale and materials sold*365)	47.0	47.4
Receivables turnover days (current receivables / revenue from sales*365)	9.8	12.4
Payables turnover days ([current liabilities - current borrowings] / value of goods for resale and materials sold*365)	95.4	90.4
Asset productivity (revenue from sales / total assets)	2.3	2.2
Non-current asset productivity (revenue from sales / non-current assets)	4.1	3.9

In Q4 2017, inventory turnover decreased by 0.4 days, while receivables turnover decreased by 2.6 days and payables turnover extended by 5 days. In effect, cash conversion cycle was extended by 8 days. Asset productivity ratios slightly increased in 2017.



Retail segment

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

	Q4 2017	Q4 2016	%
Segment revenue	686 543	616 152	11.42%
Profit on sales	197 192	176 704	11.59%
EBITDA	19 298	16 938	13.93%
Operating result	9 309	7 452	24.92%
Gross profit	8 051	6 225	29.33%
Net segment result	10 951	4 252	157.55%

Retail-segment revenue from sales in Q4 2017 went up by 11.42% from the same period last year, to PLN 686 543 000. Fourth-quarter revenue was driven by a substantial increase in revenue from existing and newly-opened stores.

The segment's net profit in Q4 2017 was PLN 10 951 000, up 157.55% from the previous year.

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

- Stokrotka capitalised a tax loss (PLN 23 399 500) and recognised a PLN 4 446 000 deferred income tax asset in Q4 2017.

	Q1-Q4 2017	Q1-Q4 2016	%
Segment revenue	2 533 584	2 338 892	8.32%
Profit on sales	722 888	661 414	9.29%
EBITDA	62 054	51 001	21.67%
Operating result	23 019	13 786	66.97%
Gross profit	19 875	11 296	75.95%
Net segment result	22 859	8 395	172.29%

Retail-segment revenue from sales in 2017 went up by 8.32% from the same period last year, to PLN 2 533 584 000. Full-year 2017 revenue was driven by a substantial increase in revenue from existing and newly-opened stores. Net profit in 2017 was PLN 22 859 000, up 172.29% from the previous year.

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

- in 2017, Stokrotka reversed a PLN 1 394 000 provision for compensations,
- in 2017, Stokrotka received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 323 000,
- Stokrotka capitalised a tax loss (PLN 23 399 500) and recognised a PLN 4 446 000 deferred income tax asset in Q4 2017.

Stokrotka retail chain

	Q1-Q4 2017	Q1-Q4 2016
Number of stores at the beginning of period	372	327
- stores opened	77	53
- stores shut-down	12	8
Number of stores at the end of period, including:	437	372
- own supermarkets	259	250
- own markets	102	77
- Express markets	5	-
- franchise stores	71	45
Average total store surface - stores opened (in sqm)	390	465
Capex on own stores opened	29 841	28 063

In 2017, the segment continued to dynamically grow its retail chain. As at the end of 2017, the Stokrotka retail segment comprised 437 retail stores, vs. 372 at the end of 2016.

In Q4 2017, a total of 33 stores were opened (including 15 franchise locations), and 3 were closed down. In Q4 2016, a total of 14 stores were opened (including 8 franchise locations), and 1 was closed down.

In 2017, a total of 77 stores were opened (including 33 franchise locations), and 12 were shut down. In 2016, a total of 53 stores were opened (including 18 franchise locations), and 8 were shut down.

The Management Board expects the Stokrotka chain to expand by another 120 stores by the end of 2018.

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

	Q1-Q4 2017	Q1-Q4 2016	%
Revenue from product sales	2 161.1	2 129.7	1.5%
Store operating costs	487.1	477.7	2.0%
Operating costs as % of revenue	22.5%	22.4%	
EBITDA	132.1	124.9	5.8%
% EBITDA	6.1%	5.9%	

Data - 287 Stokrotka stores operating at the end of 2015

Stokrotka headquarters

central management costs as % of revenue from sales	2.3%	2.2%
marketing costs as % of revenue from sales	1.1%	1.1%

Cash conversion cycle in the retail segment

	Q4 2017	Q4 2016
Inventory turnover days (inventory / value of goods for resale and materials sold*365)	43.6	45.5
Receivables turnover days (trade receivables / revenue from sales*365)	6.1	6.6
Payables turnover days (trade payables / value of goods for resale and materials sold*365)	71.9	71.7
Cash conversion cycle (difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)	-22.2	-19.6

The cash conversion cycle in the retail segment increased by 2.6 days in Q4 2017, resulting from a decrease in inventory turnover by 1.9 days and decrease in receivables turnover by 0.5 days as well as an increase of payables turnover by 0.2 days.



Property segment

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

A merger of Elpro Development S.A. (the acquiring company) with the following companies took place on 3 April 2017: Elpro Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P3 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P5 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A. and Ekon Spółka z ograniczoną odpowiedzialnością. Elpro Development S.A. assumed all of the rights and obligations of the acquired companies.

	Q4 2017	Q4 2016	%
Segment revenue	17 332	17 204	0.74%
EBITDA	9 326	14 390	-35.19%
Operating result	6 416	11 533	-44.37%
Gross profit	7 832	12 168	-35.63%
Tax	(1 544)	(1 134)	36.16%
Net segment result	6 288	11 034	-43.01%

Property-segment revenue in the fourth quarter of 2017 went down by 0.74%, as compared with the same period last year, reaching PLN 17 332 000.

The segment's net profit in Q4 2017 was PLN 6 288 000, down 43.01% from the previous year.

One-off events having material impact on the segment's results in both of the reporting periods included a disposal of two properties in Q4 2016. Gross result on property disposals in Q4 2016 was PLN 4 898 000.

Moreover, Elpro Development S.A. settled a tax loss in 2016 (last year) and received PLN 955 000 in income tax savings in Q4 2016.

	Q1-Q4 2017	Q1-Q4 2016	%
Segment revenue	68 602	69 704	-1.58%
EBITDA	39 192	53 734	-27.06%
Operating result	27 605	42 006	-34.28%
Gross profit	30 948	43 551	-28.94%
Tax	(6 725)	(6 615)	1.66%
Net segment result	24 223	36 936	-34.42%

Property-segment revenue in FY 2017 went down by 1.58%, as compared with the same period last year, reaching PLN 68 602 000.

The segment's net profit in FY 2017 was PLN 24 223 000, down 34.42% from the previous year.

One-off events having material impact on the segment's results in both of the reporting periods included a disposal of five properties in 2016. Gross result on property disposals was PLN 13 546 000.

Moreover, Elpro Development S.A. settled a tax loss in 2016 (last year) and received PLN 1 841 000 in income tax savings in three quarters of 2016.

Key information about properties

	Q1-Q4 2017	Q1-Q4 2016
Number of properties at the end of period	91	86
including: properties in progress	6	5
operating properties	85	81
including: retail properties	80	76
including: retail - Stokrotka	70	66
retail - others	10	10
other properties	5	5
including: warehouses	4	4
offices	1	1
average monthly net operating income from leasable facilities*	3 440	3 565
including: retail properties	3 150	3 250
leasable area of retail facilities (sqm)	83 158	85 602
including: related tenants	54 030	54 826
other tenants	29 128	30 776
average lease rate (PLN per sqm)	42.9	42.4
including: related tenants	44.3	43.8
other tenants	40.2	39.9

* 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

Four new retail properties were put into service in Q4 2017.



IT segment

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

	Q4 2017	Q4 2016	%
Segment revenue	11 657	8 856	31.63%
EBITDA	2 426	1 908	27.15%
Operating result	2 012	1 562	28.81%
Gross profit	1 748	1 667	4.86%
Net segment result	1 380	1 334	3.45%

IT-segment revenue from sales in Q4 2017 went up by 31.63% from the same period last year, to PLN 11 657 000. The segment's net profit in Q4 2017 was PLN 1 380 000, up 3.45% from the previous year.

	Q1-Q4 2017	Q1-Q4 2016	%
Segment revenue	36 661	37 649	-2.62%
EBITDA	4 567	9 018	-49.36%
Operating result	3 073	7 747	-60.33%
Gross profit	2 686	7 970	-66.30%
Net segment result	2 074	6 394	-67.56%

IT-segment revenue from sales in 2017 went down by 2.62% from the same period last year, to PLN 36 661 000. The segment's net profit in FY 2017 was PLN 2 074 000, down 67.56% from the previous year.

	Q4 2017	Q4 2016	%
Revenue from sale of services	8 298	7 624	8.84%
<i>including: external</i>	5 737	5 330	7.64%
<i>of which: foreign</i>	1 697	899	88.77%
Revenue from sale of goods and materials	3 357	1 231	1138.17%
<i>including: external</i>	1 622	131	31.62%
Total revenue	11 655	8 855	31.62%
<i>including: external</i>	7 359	5 461	34.76%

In Q4 2017, segment revenue to external customers constituted 63.14% of total revenue from sales, while in Q4 2016 it accounted for 61.67%.

In Q4 2017, segment revenue from sale of services to external customers constituted 69.14% of total service revenue, while in Q4 2016 it accounted for 69.91%.

In Q4 2017, segment revenue from foreign sale of services constituted 11.10% of total service revenue, while in Q4 2016 it accounted for 10.15%.

	Q1-Q4 2017	Q1-Q4 2016	%
Revenue from sale of services	29 293	32 262	-9.20%
<i>including: external</i>	19 733	23 277	-15.23%
<i>of which: foreign</i>	6 263	4 312	45.25%
Revenue from sale of goods and materials	7 367	5 387	36.76%
<i>including: external</i>	2 002	964	107.68%
Total revenue	36 660	37 649	-2.63%
<i>including: external</i>	21 735	24 241	-10.34%

In 2017, external revenue constituted 59.29% of total segment revenue, while in 2016 it accounted for 64.39%.

In 2017, segment revenue from sale of services to external customers constituted 67.36% of total service revenue, while in 2016 it accounted for 72.15%.

In 2017, segment revenue from foreign sale of services constituted 17.08% of total service revenue, while in 2016 it accounted for 11.45%.

Central management segment

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

	Q4 2017	Q4 2016	%
Segment revenue	198	252	-21.43%
EBITDA	(7 309)	(935)	-
Operating result	(7 387)	(1 028)	-
Gross profit	(9 477)	(1 526)	-
Net segment result	(8 800)	(1 241)	-

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

- Costs related to Emperia Holding SA's tax proceeding in the fourth quarter of 2017 amounted to PLN 36 000, compared to PLN 158 000 in Q4 2016.
- Finance costs related to Emperia Holding SA's tax proceeding in the fourth quarter of 2017 amounted to PLN 1 387 000, compared to zero in Q4 2016.
- Costs related to a strategic options review in the fourth quarter of 2017 amounted to PLN 723 000, compared to PLN 221 000 in Q4 2016.
- Settlement of long-term objectives related to growth in enterprise value, costs of special bonuses for the Group's key managers in Q4 2017 reached PLN 5 665 000.

	Q1-Q4 2017	Q1-Q4 2016	%
Segment revenue	898	995	-9.75%
EBITDA	(12 519)	(3 050)	-
Operating result	(12 869)	(3 429)	-
Gross profit	(9 695)	2 997	-
Net segment result	(8 391)	3 690	-327.40%

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

- costs related to Emperia Holding SA's tax proceeding in 2017 amounted to PLN 538 000, compared to PLN 626 000 in 2016.
- finance costs related to Emperia Holding SA's tax proceeding in 2017 amounted to PLN 2 003 000,
- costs related to a strategic options review in 2017 amounted to PLN 3 858 000, compared to PLN 211 000 in 2016,
- settlement of long-term objectives related to growth in enterprise value, costs of special bonuses for the Group's key managers in 2017 reached PLN 5 665 000,

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

7.2 Restatement of comparative data

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

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

Summary of changes introduced to comparative data:

- a) Change in the presentation of the Group's revenue from the sale of marketing services, calculated based on a percentage of the value of goods sold that constitute rebates received from suppliers - previously the value of this revenue, amounting to PLN 65 543 000, was presented as revenue from the sale of services. Following the change, in order to reliably reflect the economic content of transactions, the value of this revenue decreases the cost of goods sold.
- b) Change in the presentation of reimbursements from the State Fund for the Rehabilitation of the Disabled (PFRON) of costs for the disabled - previously these were presented as other operating revenue. After the change, PLN 2 862 000 in reimbursements was presented as adjustment of selling costs.

Restatement of the statement of comprehensive income for Q1-Q4 2016

		12 months ended 31 Dec 2016 (reported)	Presentation change	12 months ended 31 Dec 2016 (restated)
Revenue from sales	a)	2 450 750	(65 543)	2 385 207
Value of goods and materials sold	a)	(1 743 366)	65 543	(1 677 822)
Other operating revenue	b)	24 285	(2 862)	21 423
Selling costs	b)	(575 502)	2 862	(572 640)

7.3 Revenue and profit by operating segment

In 2017, the Group operated through the following segments:

1. Retail (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.

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

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

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

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms. These transactions are subject to exclusion from consolidated financial statements and are presented in the "exclusions" column in the segment results information below.

Emperia Group's operating segments in Q4 2017:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	2 533 584	68 602	898	36 661	63 232	2 576 513
External revenue	2 533 562	21 208	6	21 737	-	2 576 513
Inter-segment revenue	22	47 394	892	14 924	63 232	-
Total segment costs	(2 513 576)	(40 779)	(13 884)	(33 538)	(64 897)	(2 536 880)
Profit (loss) on sales	20 008	27 823	(12 986)	3 123	(1 665)	39 633
Result on other operating activities	3 011	(218)	117	(50)	201	2 659
Result on financing activities	(3 144)	3 343	3 174	(387)	6 384	(3 398)
Gross result	19 875	30 948	(9 695)	2 686	4 920	38 894
Tax	2 984	(6 725)	1 304	(612)	93	(3 142)
Net segment result	22 859	24 223	(8 391)	2 074	5 013	35 752

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	620 932	1 191 740	476 006	16 404	1 161 881	1 143 201
Goodwill	39 200	-	-	-	-	39 200

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(44 316)	(14 004)		(1 433)	(899)	(58 854)
Depreciation / amortisation	(39 035)	(11 587)	(350)	(1 494)	(1 666)	(50 800)

Emperia Group's operating segments in 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	2 338 892	69 704	995	37 649	62 033	2 385 207
External revenue	2 338 880	22 094	(9)	24 242	-	2 385 207
Inter-segment revenue	12	47 610	1 004	13 407	62 033	-
Total segment costs	(2 324 583)	(40 134)	(4 615)	(29 889)	(63 722)	(2 335 499)
Profit on sales	14 309	29 570	(3 620)	7 760	(1 689)	49 708
Result on other operating activities	(523)	12 436	191	(13)	96	11 995
Result on financing activities	(2 490)	1 545	6 426	223	6 174	(470)
Gross result	11 296	43 551	2 997	7 970	4 581	61 233
Tax	(2 901)	(6 615)	693	(1 576)	282	(10 681)
Net segment result	8 395	36 936	3 690	6 394	4 863	50 552

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	538 025	1 258 229	436 224	18 793	1 188 458	1 062 813
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(54 113)	(1 828)	-	(917)	(250)	(56 608)
Depreciation / amortisation	(37 215)	(11 728)	(379)	(1 271)	(1 658)	(48 935)

7.4 Effects of changes in group structure

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

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

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

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

Shareholders	Shares held, as at 31 December 2017	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published	Votes at 31 December 2017	% of votes at general meeting at 31 Dec 2017
Altus TFI	1 835 200	14.87%	-1.28%	1 859 074	15.06%	14.87%	15.40%
Ipopema TFI	1 229 381	9.96%	-15.71%	1 458 583	11.82%	9.96%	10.32%
AXA OFE	977 481	7.92%	-	977 481	7.92%	7.92%	8.21%
Aviva OFE	834 991	6.77%	-	834 991	6.77%	6.77%	7.01%
NN OFE	1 247 697	10.10%	65.10%	755 713	6.12%	10.10%	10.47%

As at 31 December 2017, Elpro Development S.A. held 428 237 shares of Emperia Holding S.A., which are excluded from the count of voting rights at the Issuer's General Meeting.

7.7 Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares held, as at 31 December 2017	% in share capital 31.12.2017	% change	Shares as at 30 September 2017	% in share capital as at 30 September 2017
Dariusz Kalinowski	33 701	0.273%	-	33 701	0.273%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 31 December 2017	% in share capital 31.12.2017	% change	Shares as at 30 September 2017	% in share capital as at 30 September 2017
Jarosław Wawerski	19 494	0.158%	-	19 494	0.158%

7.8 Information regarding on-going proceedings

Tax probe by Treasury Control Office

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

Factual status:

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

Charges made by the Tax Control Office:

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

Company's position:

- The decision by the Tax Control Office is in clear violation of tax law but also civil and corporate law. The Tax Control Office incorrectly equates the illusiveness of legal activities with formulating the transaction in a manner that does not bring the expected tax proceedings;
 - The Extraordinary General Meeting resolution on the mandatory share cancellation may not be considered to be illusive because illusiveness does not apply to one-sided legal activities that are not addressed to anyone in particular;
 - There is no legal basis whatsoever for concluding that this matter involves a voluntary cancellation of P1's shares. This form of cancellation requires a share purchase agreement to be executed between the shareholder and the company in order for the company to cancel the shares. No such agreement was executed - which precludes concluding that this was a voluntary cancellation of P1's shares;
 - The mandatory cancellation was carried out in compliance with the law and the company's founding agreement, which is confirmed by the register court's decision. Therefore, the Tax Control Office's decision is in contravention to a binding court ruling;
 - Despite the fact that the dispute de facto revolves around there being a legal relation (the acquisition by P1 of its own shares for cancellation), the Tax Control Office refused to file a suit in a general court to determine that such an activity had been performed - citing a "lack of objective doubt." The above proves that the Tax Control Office does not have evidence allowing this to be determined by an independent court and, in violation of tax proceeding rules, is making standalone rulings in the area of private law.
 - In reference to the principle of equity, the Tax Control Office seems to be assuming that in the circumstances of the matter the sole economically justified transaction was a voluntary share cancellation. The business objective of the share cancellation was the transfer of financial resources from P1 to the Group. According to the law, the above objective could have alternatively been achieved through other legal activities that are exempt from tax based on European Union law. The economic sense of the share cancellation should be compared to generating income from equity (as in the case of company liquidation or dividend payment) rather than income from a transaction (from the sale of property rights).
 - The circumstances of the matter and the accusations made by the Tax Control Office were analysed by renowned representatives of academia, tax law and corporate law, who have considered that the position of the Tax Control Office is completely unjustified and in violation of the law.
 - The Company does not agree with these findings and the legal assessment carried out by the Head of the Tax Control Office in the Decision, further it does not see grounds for recognising a provision for the amounts of tax arrears indicated in the Decision.
2. On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.
 3. 8 August 2017 – the Head of the Tax Authority Chamber in Warsaw issued a decision upholding the decision issued by the Head of the Tax Control Office

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

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

7.9 Significant related-party transactions

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

7.10 Credit facilities, loans, sureties and guarantees

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

Item	Term loan (1)	Term loan (2)	Working-capital loan	Guarantee line
Borrower	Elpro Development S.A.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.
Objective of credit/guarantee	to make a loan to Emperia Holding S.A. to finance a tax liability	to make a loan to Emperia Holding S.A. to finance a tax liability	to finance the Borrower's general corporate objectives	to secure repayment of liabilities under lease or commercial agreements
Amount of credit/guarantee	PLN 150 million	PLN 10 million	PLN 40 million	PLN 25 million
Price terms	WIBOR 3M + bank margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 3M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 1M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	Commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee
Repayment deadline	27 October 2022	27 October 2022	27 April 2019	27 April 2019
Basic collateral	<ul style="list-style-type: none"> pledge on Elpro Development S.A. shares pledge on bank accounts of Emperia Holding S.A., Elpro Development S.A. and Stokrotka Sp. z o.o. pledge on Elpro Development S.A. properties and rights 		<ul style="list-style-type: none"> mortgage on Stokrotka Sp. z o.o.'s properties pledge on Stokrotka Sp. z o.o.'s inventories assignment of rights and receivables under Stokrotka Sp. z o.o.'s insurance contracts pledge on bank accounts of Stokrotka Sp. z o.o. 	

	<ul style="list-style-type: none"> • assignment of rights and receivables under lease and collateral contracts of Emperia Holding S.A. and Elpro Development S.A. • assignment of rights and receivables under Stokrotka Sp. z o.o.'s contracts with payment card operators • mortgage on properties of Emperia Holding S.A. and Elpro Development • Emperia Holding S.A.'s accession into the debt of Elpro Development S.A. and Stokrotka Sp. z o.o. • Elpro Development S.A.'s accession into the debt of Stokrotka Sp. z o.o. 	
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Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017.

In connection with Emperia's intention to provide collateral for the tax liability to the relevant tax authority, as referred to in art. 33d § 2 point 1) of the act of 29 August 1997 - Tax Ordinance, in order to suspend performance of this tax authority's final decision concerning a tax liability in connection with an appeal lodged with the administrative court (if the appeals authority upholds the tax authority's decision), the Banks agreed to issue a guarantee line for the Company on terms specified in Annex 1 to the Credit Agreement.

Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017 between the following companies: ELPRO Development S.A., Stokrotka sp. z o.o., Emperia Holding S.A. and banks: mBank S.A., Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank BGŻ BNP Paribas S.A., pursuant to which the above lenders will extend a guarantee line to Emperia Holding S.A. under which bank guarantees for a total amount of PLN 202 million will be issued at Emperia Holding S.A.'s request for the benefit of the State Treasury, represented by the Head of the 2nd Mazowieckie Tax Office in Warsaw, as collateral for Emperia Holding S.A.'s tax liability concerning corporate income tax for 2011, and Stokrotka Sp. z o.o. will accede to the debt related to these guarantees for a maximum amount of PLN 15 million, jointly and severally with Elpro Development S.A., which will accede to the debt related to these guarantees for a maximum amount of PLN 240 million.

The Company's maximum own contribution to the guarantee lines will be PLN 54 million. The maximum term of validity for these guarantees will be 12 months from the date of issue. Fees for the guarantees will be in the form of an origination commission.

Annex 1 to the Credit Agreement was executed on market terms. The other provisions, including provisions related to penalties, do not differ from provisions commonly applied in this type of agreement.

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

Finance costs related to these credit facilities and guarantees reached PLN 1 387 000 in Q4 2017 and PLN 2 003 000 in full year 2017.

Information concerning guarantees may be found in note 7.15.7.

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

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

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

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

	Q4 2017	Q4 2016	2017	2016
Proceeds from disposal of properties	-	11 852	-	26 382
Costs of disposal of properties	-	(8 222)	-	(23 689)
reversal of consolidation adjustments	-	1 268	-	10 853
gross result	-	4 898	-	13 546
current tax	-	(2)	-	(11)
deferred tax	-	(162)	-	(2 265)
Net result	-	4 734	-	11 270

Two properties were sold in Q4 2016 and five in 2016 overall.

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

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

External:

- Domestic macroeconomic situation, as measured by indicators: GDP growth, unemployment rate, net household income, inflation/deflation
- Changes in tax laws
- Changes in the FMCG market
- Growth in prices of products and services used by the Group, in particular fuel and electricity
- Policies of financial institutions with regard to the financing of businesses and consumers (interest rates, loan margins, collateral)
- Job market conditions and costs of employment
- Property-market situation, particularly as regards supply of land and properties intended for retail.

Internal:

- Business process optimisation (improved operating performance and higher management quality in all segments),
- Internal cost control policy,
- Improvement in retail efficiency, particularly: productivity and costs, logistics and product losses, price policy, loyalty programmes,
- Growth dynamic of the Stokrotka retail chain
- Search for investor completed

7.14 Changes in composition of Issuer's Management Board and Supervisory Board

Management Board



Dariusz Kalinowski – President of the Management Board

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



Cezary Baran – Vice-President of the Management Board

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

Supervisory Board

Artur Kawa – Chairman

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

Jarosław Wawerski – Member

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

Artur Laskowski – Member

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

Aleksander Widera – Member

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

Michał Kowalczewski – Independent Member

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

The composition of Emperia Holding S.A.'s Management Board and Supervisory Board did not change during Q4 2017.

7.15 Other significant information and events

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

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

7.15.2 Production seasonality and cyclicity

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

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

The event is described in point 7.12.

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

Employee benefit provisions	Change in Q1-Q4 2017	Change in 2016
Non-current		
As at the beginning of period	1 454	994
<i>Increases / decreases during the period</i>	278	460
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	1 732	1 454
Current		
As at the beginning of period	10 550	9 412
<i>Increases / decreases during the period</i>	2 642	1 138
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	13 192	10 550

Other provisions	Change in Q1-Q4 2017	Change in 2016
Non-current		
As at the beginning of period	9 020	13 606
<i>Increases / decreases during the period</i>	(3 993)	(4 586)
<i>Increases / decreases during the period as a result of acquisitions</i>	-	-
As at the end of period	5 027	9 020
Current		
As at the beginning of period	8 184	9 214
<i>Increases / decreases during the period</i>	(526)	(1 030)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
As at the end of period	7 658	8 184

7.15.5 Issue, redemption and repayment of debt and equity securities

No such changes took place at Emperia Group in Q4 2017.

7.15.6 Paid and received dividends

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

7.15.7 Changes in off-balance sheet liabilities

Off-balance sheet liabilities concern collateral for credit facilities and bank guarantees provided to the Group, as well as security interests.

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

Emperia Holding S.A.

- mortgage on properties - total amount PLN 634.7 million

Elpro Development S.A.

- mortgage on properties - total amount PLN 571.7 million
- registered pledge on assets - amount PLN 3.7 million

Stokrotka Sp. z o.o.

- mortgage on properties - total amount PLN 204.2 million
- registered pledge on goods - amount of no less than PLN 97.5 million

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

Emperia Holding S.A. has established collateral on its properties for:

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

Elpro Development S.A. has established collateral on its properties for:

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

Stokrotka sp. z o.o. has established collateral on its properties for:

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

Other off-balance-sheet collateral (as at 31 December 2017):

Changes in off-balance sheet liabilities in FY 2017	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	30 000	-	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	(30 000)	-	-
As at the end of period	-	-	-
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	-	15 000	-

Guarantees

As at the beginning of period	-	25 000	9 325
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	(25 000)	(7 150)
As at the end of period	-	-	2 175

**Changes in off-balance sheet liabilities
during 2016**

Credit facilities

Bank guarantees

Security interests

Mortgages

As at the beginning of period	-	-	-
<i>Increases during the period</i>	30 000	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	30 000	-	-

Transfer of ownership / pledge / assignment of current assets

As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
As at the end of period	-	15 000	-

Guarantees

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

7.15.8 Impairment of property, plant and equipment, intangible assets, inventory and other assets, and reversal thereof

The means for recognising and reversing impairment losses on property, plant and equipment, inventory and receivables did not change in relation to those applied in the annual consolidated financial statements.

	Change in Q1-Q4 2017	Change in 2016
Impairment of property, plant and equipment		
As at the beginning of period	(7 859)	(7 886)
<i>Recognition</i>	(159)	(274)
<i>Reversal</i>	1 658	301
<i>Changes as a result of acquisitions / disposals</i>	-	-
As at the end of period	(6 360)	(7 859)

Impairment of receivables

As at the beginning of period	(9 065)	(10 742)
<i>Recognition</i>	(877)	(1 552)
<i>Reversal</i>	1 989	1 458
<i>Changes as a result of acquisitions / disposals</i>	-	-
<i>Derecognised from statement of profit and loss*</i>	790	1 771
As at the end of period	(7 162)	(9 065)

Impairment of inventories

As at the beginning of period	(19 015)	(19 784)
<i>Recognition</i>	(27 994)	(18 935)
<i>Reversal</i>	24 979	19 704
<i>Change as result of acquisitions / disposals</i>	-	-
As at the end of period	(22 030)	(19 015)

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

7.15.9 Recognition / reversal of cost restructuring provisions

Did not occur during the reporting period or comparative period.

7.15.10 Deferred income tax

Deferred income tax assets	Change in Q1-Q4 2017	Change in 2016
As at the beginning of period	26 039*	22 009
<i>Increase</i>	6 352	2 552
<i>Decrease</i>	(1 669)	(6 508)
As at the end of period	30 722	18 053

* a basic error was corrected during the current reporting period, as described in point 7.15.13

Deferred income tax provision	Change in Q1-Q4 2017	Change in 2016
As at the beginning of period	5 488	4 497
<i>Recognition</i>	2 316	2 662
<i>Reversal</i>	(132)	(1 671)
As at the end of period	7 672	5 488

7.15.11 Financial and operating leasing

a) Finance lease liabilities

Finance lease liabilities	31 Dec 2017	
	Minimum payments	Present value of minimum payments
Within 1 year	581	565
Within 1 to 5 years	-	-
Within more than 5 years	-	-
Total	581	565

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

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

Q1-Q4 2017	Term of agreement	As at 31 Dec 2017	As at 31 Dec 2018 Minimum annual payment	1 to 5 years	Over 5 years
Property	specified	98 368	103 809	415 311	517 466
	unspecified	2 542	2 518	10 072	12 591
Technical equipment and machinery	specified	93	1	1	1
	unspecified	111	119	476	476
Means of transport	specified	8 314	7 461	15 012	590
	unspecified	-	-	-	-

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

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

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

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

Did not take place in Q4 2017.

7.15.13 Correction of prior-period errors

- a) No goodwill revaluation in change of operating model
Goodwill arising on the acquisition of two distribution companies in 2008 was not written down when these companies' profile changed. The amount of goodwill written down is PLN 12 844 000.
- b) Lack of recognition of deferred income tax asset related to property portfolio restructuring
As a result of this process, a deferred income tax asset was not recognised at consolidated level in 2013. The amount of the correction is PLN 7 986 000.

Restatement of 2016 statement of financial position

	Amount of correction	Assets	Equity and liabilities
a)	(12 844)	Goodwill	Retained earnings
b)	7 986	Deferred income tax assets	Retained earnings

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

Did not take place in Q4 2017.

7.16 Charitable work at Emperia Group

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



Stokrotka Helps

Stokrotka Helps is an employee volunteering programme. In successive editions of the competition, our employees achieved fantastic results. They have so far completed 18 projects, in which over 100 volunteers from Stokrotka Sp. z o.o. participated.



Blood drive

Just like every year since 2011, a blood drive open to all our employees is being held at the Group's central office. A special bus equipped with mobile blood drawing equipment is brought in for the occasion, and our employees are eager to donate blood right in our car park. The blood drives are a response to the Centre's appeal to replenish drastically low levels of blood stores which are essential to saving lives.



Food and school supply collection drives

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



Environmental protection

Environmental protection is one of the 21st century's largest challenges for humanity. Global problems can be solved only if we all take action. Stokrotka employs 8000 people across 430 stores, 10 warehouses and at its headquarters. We serve thousands of customers every day. Given such a large number of people and locations, we implement the following pro-environment initiatives:

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

Miesięczne Praktyki Bezpłatne

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

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

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

Benefits for interns:

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



Internship and Job Fair

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



Facebook profile for students

With a view toward reaching a wide audience online, we have created a source of information and communications - the Facebook profile "Stokrotka-sprawdź nas w praktyce". We show our potential interns and employees the company life, not necessarily just the formal one. We want to encourage them to get interested in our business.



Employee Competitions

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. 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.

7.17 Other significant events during the reporting period

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

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

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

Currently, the fund holds 578 101 shares, which constitutes 4.68% of the Company's share capital and entitled to 578 101 votes at the Company's General Meeting, i.e. 4.68% of total voting rights.

b) Commencement of negotiations with potential investor and execution of investment agreement

On 6 November 2017, the Management Board of Emperia Holding S.A. decided to start negotiations with Maxima Grupé UAB ("Investor") in a process to find a strategic investor to support the Company's development. Maxima was selected as the strategic investor for Emperia in an open and competitive procedure. The start of negotiations with the Investor follows a process to find an investor to support the Company's dynamic development, which started on 9 May 2017, as communicated by the Company's Management Board via current reports.

On 23 November 2017, an Investment Agreement was executed, pursuant to which Maxima undertook to announce a tender offer for 100% of Emperia's shares at a price of no less than PLN 100 per share and which established rules for cooperation between Emperia Holding S.A. and Maxima Grupé UAB (detailed information is presented in current report 58/2017).

On 24 November 2017, Maxima Grupé announced a tender offer for 12 342 027 ordinary shares of Emperia Holding, which corresponds to 100% of general meeting votes, at the price of PLN 100 per share. Subscriptions began on 14 December and were accepted until 21 February 2018. The minimum number of shares (and votes) covered by subscriptions, after reaching which the tenderer would purchase shares in the tender offer, is 8 145 737, representing the same number of general meeting votes, which constitutes 66% of total shares and entitles to 66% of total voting rights. If the tenderer purchases shares representing at least 90% of general meeting votes, it will consider a mandatory squeeze out and de-listing from the Warsaw Stock Exchange. If the tenderer does not purchase shares corresponding to 90% of votes, it will consider buying further shares and subsequently a mandatory squeeze out and de-listing from the Warsaw Stock Exchange. The tender offer was announced on the condition that approval is obtained from the Office of Competition and Consumer Protection.

On 24 November, the Company's management board published a statement regarding the tender offer for the Company's shares announced by Maxima Grupé UAB, in which it stated that based on the tenderer's declarations and statements the tender offer is in line with the interests of the Company and its employees and that the price proposed in the tender offer corresponds to the Company's fair value.

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

On 8 November 2017, the Supreme Administrative Court issued a ruling concerning Stokrotka Sp. z o.o. in connection with decisions made by the Ministry of Labour and Social Policy (currently the Ministry of Labour, Family and Social Policy), ordering the company to refund to the State Fund for the Rehabilitation of the Disabled (PFRON) financing provided for disabled employees' wages for the period December 2012 - May 2013 and withdrawal of financing from the Ministry of Labour and Social Policy for the period May - August 2014. As a result of cassation appeals from Stokrotka Sp. z o.o. directed to the Supreme Administrative Court, rulings by the Voivodship Administrative Court in Warsaw all of the above cases were cancelled, decisions by the Ministry of Labour and Social Policy were cancelled and decisions by the President of the State Fund for the Rehabilitation of the Disabled were also cancelled. Given the above, Stokrotka expects to receive back-payments of PFRON funding of PLN 2 246 000.

d) Management Board recommendation on 2017 profit allocation

On 23 November 2017, the Management Board of Emperia Holding S.A. announced that in connection with having executed an Investment Agreement, the Company's Management Board undertook not to recommend a dividend payment for 2017.

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

On 20 December 2017, an Extraordinary General Meeting of Emperia Holding S.A. was held, the subject of which was adoption of resolutions concerning amendment of the Company's articles of association.

7.18 Significant events after the reporting period

a) Resolution to secure Eurocash S.A. claim to cancel resolution 2 of Emperia Holding S.A.'s Extraordinary General Meeting of 20 December 2017

On 11 January 2018, the Management Board of Emperia Holding S.A. announced that it had received information on the issue on 8 January 2018 by a District Court in Warsaw, 16th Commercial Department, of a ruling to secure a claim by Eurocash S.A., based in Komorniki (acting as a shareholder of the Issuer), to withdraw resolution 2 of the Issuer's Extraordinary General Meeting of 20 December 2017 regarding amendments to the articles of association ("Resolution") by suspension of the performance of this Resolution.

The Management Board of Emperia Holding S.A. does not agree with this ruling and has decided to appeal.

b) Maxima Grupe extended the subscription period in its tender offer to 16 March 2017.

On 14 February, Maxima Grupé extended the subscription deadline to 16 March 2018, i.e. for an amount of time that is necessary to obtain approval from the president of the Office of Competition and Consumer Protection.

Maxima Grupé's new deadline for receipt of the decision on approval for concentration is 14 March 2018. Otherwise, the subscription deadline may again be extended for a period that is necessary to obtain the approval for concentration, however no later than 12 April 2018.

c) Notification on decrease of stake in votes at Emperia Holding S.A.'s general meeting

On 23 February 2018, the Management Board of Emperia Holding S.A. received notification stating that following the clearing on 20 February 2019 of a transaction to sell 100 000 shares of Emperia Holding S.A. on the regulated market, investment funds managed by the Fund decreased their stake by more than 2% in the total number of votes in Emperia Holding S.A., compared to the notification from ALTUS TFI SA published by the Company on 14 December 2017. Following the change, investment funds managed by ALTUS TFI S.A. hold a total of 1 561 240 shares of the Company, which constitutes 12.65% of the Company's share capital and entitles to exercise 1 561 240 votes at the Company's general meeting, i.e. 12.65% of total votes. This includes ALTUS 29 FIZ, which 1 409 678 shares of the Company, constituting 11.42% of the Company's share capital and entitling to 1 409 678 votes at the Company's general meeting, i.e. 11.42% of total votes.

8. Issuer's condensed separate financial statements

8.1 Selected separate financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016
I.	Net revenue from sale of products, goods and materials	13 995	15 952	3 297	3 646
II.	Operating profit (loss)	(4 956)	4 149	(1 168)	948
III.	Profit (loss) before tax	(1 854)	18 869	(437)	4 312
IV.	Profit (loss) for the period	(2 063)	18 014	(486)	4 117
V.	Net cash flows from operating activities	(4 596)	4 700	(1 083)	1 074
VI.	Net cash flows from investing activities	7 215	26 158	1 700	5 978
VII.	Net cash flows from financing activities	37 529	(36 139)	8 841	(8 259)
VIII.	Total net cash flows	40 148	(5 281)	9 458	(1 207)
IX.	Total assets	528 854	491 531	126 796	111 106
X.	Liabilities and liability provisions	63 450	24 072	15 213	5 441
XI.	Total non-current liabilities	1 012	816	243	184
XII.	Total current liabilities	62 438	23 256	14 970	5 257
XIII.	Equity	465 404	467 459	111 584	105 664
XIV.	Share capital	12 342	12 342	2 959	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 933 984	12 086 113	11 933 984	12 086 113
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	(0.17)	1.49	(0.04)	0.34
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	(0.17)	1.49	(0.04)	0.34
XIX.	Book value per share* (in PLN/EUR)	39.00	38.68	9.35	8.74
XX.	Diluted book value per share** (in PLN/EUR)	39.00	38.68	9.35	8.74
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	-	-	-

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

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

Weighted average number of shares:

- for Q1-Q4 2017 (January-December): 11 933 984

- for Q1-Q4 2016 (January-December): 12 086 113

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

- 1 Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for Q1-Q4 2017 was EURPLN 4.2447 and for Q1-Q4 2016: EURPLN 4.3757.
- 2 Balance sheet items and book value / diluted book value are translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 31 December 2017: EURPLN 4.1709; as at 31 December 2016: EURPLN 4.4240.

8.2 Condensed separate statement of financial position

	31 Dec 2017	31 Dec 2016
Total non-current assets	480 547	483 182
Property, plant and equipment	124	662
Investment properties	52 994	54 916
Intangible assets	840	1 156
Financial assets	426 286	426 286
Deferred income tax assets	153	159
Other non-current prepayments	150	3
Total current assets	48 307	8 349
Current receivables	1 592	2 953
Income tax receivables	457	-
Current prepayments	820	106
Cash and cash equivalents	45 438	5 290
Total assets	528 854	491 531
Total equity	465 404	467 459
Share capital	12 342	12 342
Share premium	411 670	411 670
Reserve capital	43 446	25 442
Retained earnings	(2 054)	18 005
Total non-current liabilities	1 012	816
Non-current liabilities	113	112
Provisions	40	49
Deferred income tax provision	859	655
Total current liabilities	62 438	23 256
Credit facilities, loans, debt instruments and other current financial liabilities	58 619	19 959
Current liabilities	3 527	1 356
Income tax liabilities	-	63
Provisions	276	611
Deferred revenue	16	1 267
Total equity and liabilities	528 854	491 531
Book value	465 404	467 459
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 933 984	12 086 113
Diluted number of shares	11 933 984	12 086 113
Book value per share (in PLN)	37.71	37.88
Book value per share (in PLN)*	39.00	38.68
Diluted book value per share (in PLN)**	39.00	38.68

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

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

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

	Three months ended 31 Dec 2017	12 months ended 31 Dec 2017	Three months ended 31 Dec 2016	12 months ended 31 Dec 2016
Revenue from sales	3 248	13 995	4 118	15 952
Cost of sales	(1 345)	(6 191)	(1 819)	(7 155)
Profit on sales	1 903	7 804	2 299	8 797
Other operating revenue	(175)	1 092	64	254
Selling costs	-	-	-	-
Administrative expenses	(7 593)	(13 586)	(1 629)	(4 873)
Other operating expenses	(97)	(266)	(13)	(29)
Operating profit	(5 962)	(4 956)	721	4 149
Finance income	266	6 743	242	15 391
Finance costs	(2 445)	(3 641)	(670)	(671)
Profit before tax	(8 141)	(1 854)	293	18 869
Income tax	393	(209)	(63)	(855)
- current	380	-	(119)	(897)
- deferred	13	(209)	56	42
Profit (loss) for the period	(7 748)	(2 063)	230	18 014
Profit (loss) for the period attributable to owners of the parent	(7 748)	(2 063)	230	18 014

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit (loss) for the period (annualised)	(2 063)	18 014
Number of shares	12 342 027	12 342 027
Weighted average number of ordinary shares	11 933 984	12 086 113
Weighted average diluted number of ordinary shares	11 933 984	12 086 113
Profit (loss) per ordinary share, annualised (in PLN)	(0.17)	1.46
Profit (loss) per ordinary share, annualised (in PLN)*	(0.17)	1.49
Diluted profit (loss) per ordinary share, annualised (in PLN)**	(0.17)	1.49

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

** weighted average diluted number of ordinary shares:

- for Q1-Q4 2017 and 2016: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled

Statement of comprehensive income	Three months ended 31 Dec 2017	12 months ended 31 Dec 2017	Three months ended 31 Dec 2016	12 months ended 31 Dec 2016
Profit (loss) for the period	(7 748)	(2 063)	230	18 014
Other comprehensive income	9	9	(9)	(9)
Comprehensive income for the period	(7 739)	(2 054)	221	18 005

8.4 Condensed separate statement of changes in equity

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
1 Jan 2017	12 342	411 670	-	25 442	18 005	-	467 459
Comprehensive income for the 12 months ended 31 Dec 2017	-	-	-	-	(2 054)	-	(2 054)
Prior-year profit distribution - transfer to equity	-	-	-	18 005	(18 005)	-	-
31 Dec 2017	12 342	411 670	-	43 446	(2 054)	-	465 404

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
1 Jan 2016	13 235	465 315	723	337	25 442	(55 646)	449 406
Profit for the period	-	-	-	-	18 014	-	18 014
Other net comprehensive income	-	-	-	-	(9)	-	(9)
Prior-year profit distribution - transfer to equity	-	-	-	25 442	(25 442)	-	-
Share issuance - incentive scheme	7	283	(290)	-	-	-	-
Management options provision	-	-	48	-	-	-	48
Reclassification of capital after settlement of all incentive schemes	-	482	(482)	-	-	-	-
Redemption of own shares	(900)	(54 410)	-	(337)	-	55 646	-
31 Dec 2016	12 342	411 670	-	25 442	18 005	-	467 459

8.5 Condensed separate statement of cash flows

Operating activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit (loss) for the period	(2 063)	18 014
Adjusted by:	(2 533)	(13 314)
Depreciation / amortisation	1 848	1 672
Interest and shares of profit (dividends)	(5 254)	(14 824)
Income tax	209	855
Profit (loss) on investing activities	79	(160)
Change in provisions	(334)	291
Change in receivables	1 361	(75)
Change in prepayments	(2 114)	38
Change in liabilities	2 192	(336)
Income tax paid	(520)	(775)
Net cash from operating activities	(4 596)	4 700

Investing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	7 423	109 560
Disposal of property, plant and equipment and intangible assets	1 039	1 306
Dividends received	6 384	14 674
Disposal of financial assets	-	93 317
Disposal of interests in subsidiaries	-	263
Outflows	(208)	(83 402)
Purchase of property, plant and equipment and intangible assets	(208)	(1 004)
Purchase of subsidiaries and associates	-	(580)
Purchase of financial assets	-	(81 818)
Net cash from investing activities	7 215	26 158

Financing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	233 539	39 937
Issue of short-term debt instruments	233 539	39 889
Proceeds from equity issuance	-	48
Outflows	(196 010)	(76 076)
Buy-back of short-term debt instruments	(196 000)	(20 000)
Interest paid	(10)	(460)
Purchase of own shares	-	(55 616)
Net cash from financing activities	37 529	(36 139)
Change in cash and cash equivalents	40 148	(5 281)
Exchange differences	-	-
Cash and cash equivalents at the beginning of period	5 290	10 571
Cash and cash equivalents at the end of period	45 438	5 290

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 of Emperia Holding S.A. are the same as those used in preparing Emperia Group's consolidated financial statements. Details are presented in point 6.2.

Warsaw, 26 February 2018

Signatures of all Management Board members:

Dariusz Kalinowski President of the Management Board

.....
Signature

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

.....
Signature

Signatures of persons responsible for book-keeping

Elżbieta Świniarska Economic Director

.....
Signature