

# Emperia Holding



## CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2016

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

WARSAW, MAY 2016

## Emperia Group stands for:



- *credibility and prioritising shareholder interests*



- *customer-centric culture*

- *growth and openness*

- *working together*



- *effectiveness*



- *reliability and engagement*

## Credibility and prioritising shareholder interests

- Emperia, **winner of multiple awards and leading Polish retailer**, has been an active player on Poland's retail market for the past 25 years
- Our **aim** is to **create value** for shareholders
- Emperia is **financially stable** and has been listed on the **Warsaw Stock Exchange** for 15 years
- **Credibility** in the eyes of our shareholders is our **top priority**
- Emperia operates **transparently and openly**, while emphasising **corporate governance** and **ethics in business**.



## **Customer-centric culture**

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

## **Growth and openness**



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

## **Working together**



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

## ***Reliability and involvement***



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

## ***Effectiveness***



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

***Welcome!***

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## 1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2016 to 31 Mar 2016	For the period from 1 Jan 2015 to 31 Mar 2015	For the period from 1 Jan 2016 to 31 Mar 2016	For the period from 1 Jan 2015 to 31 Mar 2015
I.	Net revenue from sale of products, goods and materials	605 464	486 342	138 999	117 222
II.	Operating profit (loss)	9 304	19 895	2 136	4 795
III.	Profit (loss) before tax	9 448	19 956	2 169	4 810
IV.	Profit (loss) for the period	7 591	18 811	1 743	4 534
V.	Net cash flows from operating activities	3 769	4 649	865	1 121
VI.	Net cash flows from investing activities	(5 262)	127	(1 208)	31
VII.	Net cash flows from financing activities	(10 591)	(15 076)	(2 431)	(3 634)
VIII.	Total net cash flows	(12 084)	(10 300)	(2 774)	(2 483)
IX.	Total assets	1 013 590	1 017 258	237 464	238 709
X.	Liabilities and liability provisions	421 380	422 354	98 721	99 109
XI.	Non-current liabilities	23 486	24 112	5 502	5 658
XII.	Current liabilities	397 894	398 242	93 219	93 451
XIII.	Equity	592 210	594 904	138 743	139 600
XIV.	Share capital	12 340	13 235	2 891	3 106
XV.	Number of shares	12 340 049	12 847 877	12 340 049	12 847 877
XVI.	Weighted average number of shares	12 190 031	12 878 013	12 190 031	12 878 013
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	3.05	3.59	0.70	0.87
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	3.05	3.58	0.70	0.86
XIX.	Book value per share* (in PLN/EUR)	48.58	47.57	11.38	11.16
XX.	Diluted book value per share** (in PLN/EUR)	48.58	47.56	11.38	11.16
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	1.33	-	0.32

\* 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 2016 (January-March): 12 190 031

- for Q1 2015 (January-March): 12 847 877

### Selected financial data is 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 2016 was EURPLN 4.3559 and for Q1 2015: EURPLN 4.1489.
- 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 March 2016: EURPLN 4.2684; as at 31 December 2015: EURPLN 4.2615.
- 3 Dividend paid out is translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 19 June 2015 was EURPLN 4.1715.

## 2. Condensed consolidated statement of financial position

	31 Mar 2016	31 Dec 2015
<b>Non-current assets</b>	<b>633 314</b>	<b>624 116</b>
Property, plant and equipment	527 289	522 956
Investment properties	-	-
Intangible assets	4 691	4 635
Goodwill	52 044	52 044
Interests in equity-accounted entities	-	-
Financial assets	37	37
Non-current loans	1 600	1 615
Non-current receivables	6 347	6 313
Deferred income tax assets	22 519	22 009
Other non-current prepayments	18 787	14 507
Non-current assets classified as held-for-sale	-	-
<b>Current assets</b>	<b>380 276</b>	<b>393 142</b>
Inventories	213 814	199 035
Receivables	65 380	71 248
Income tax receivables	1 380	1 332
Short-term securities	-	11 138
Prepayments	6 171	4 730
Cash and cash equivalents	91 710	103 795
Other financial assets	1 821	1 864
Current assets classified as held-for-sale	-	-
<b>Total assets</b>	<b>1 013 590</b>	<b>1 017 258</b>
<b>Equity</b>	<b>592 210</b>	<b>594 904</b>
Share capital	12 340	13 235
Share premium	419 884	471 424
Supplementary capital	97 558	97 558
Management options provision	2 381	2 588
Reserve capital	47 324	47 661
Buy-back provision	-	-
Own shares	(14 794)	(57 487)
Retained earnings	27 517	19 925
<b>Total equity attributable to owners of the parent</b>	<b>592 210</b>	<b>594 904</b>
Non-controlling interests	-	-
<b>Total non-current liabilities</b>	<b>23 486</b>	<b>24 112</b>
Credit facilities, loans and debt instruments	1 418	1 658
Non-current liabilities	4 137	3 357
Provisions	13 348	14 600
Deferred income tax provision	4 583	4 497
<b>Total current liabilities</b>	<b>397 894</b>	<b>398 242</b>
Credit facilities, loans and debt instruments	1 025	988
Current liabilities	362 642	369 419
Income tax liabilities	846	426
Provisions	22 623	18 626
Deferred revenue	10 758	8 783
Liabilities assigned to assets classified as held-for-sale	-	-
<b>Total equity and liabilities</b>	<b>1 013 590</b>	<b>1 017 258</b>

	31 Mar 2016	31 Dec 2015
Book value	592 210	594 904
Number of shares	12 340 049	13 235 495
Weighted average number of shares	12 190 031	12 506 772
Diluted number of shares	12 191 166	12 508 001
Book value per share (in PLN)*	48.58	47.57
Diluted book value per share (in PLN)**	48.58	47.56

\* 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 Mar 2016	Three months ended 31 Mar 2015
Revenue from sales	605 464	486 342
Cost of sales	(444 066)	(346 112)
<b>Profit on sales</b>	<b>161 398</b>	<b>140 230</b>
Other operating revenue	2 156	10 602
Selling costs	(133 194)	(112 671)
Administrative expenses	(18 596)	(16 352)
Other operating expenses	(2 460)	(1 914)
<b>Operating profit</b>	<b>9 304</b>	<b>19 895</b>
Finance income	350	358
Finance costs	(206)	(297)
<b>Profit before tax</b>	<b>9 448</b>	<b>19 956</b>
<b>Income tax</b>	<b>(1 857)</b>	<b>(1 145)</b>
- current	(2 280)	(2 302)
- deferred	423	1 157
Share of the profit of equity-accounted entities	-	-
<b>Profit for the period</b>	<b>7 591</b>	<b>18 811</b>
Profit for the period attributable to owners of the parent	7 591	18 811
Profit for the period attributable to non-controlling interests	-	-



Annualised profit	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Profit (loss) for the period (annualised), including:</b>	<b>37 136</b>	<b>46 083</b>
Weighted average number of ordinary shares	12 190 031	12 847 877
Weighted average diluted number of ordinary shares*	12 191 166	12 878 013
Profit (loss) per ordinary share, annualised (in PLN)	3.05	3.59
Diluted profit (loss) per ordinary share, annualised* (in PLN)	3.05	3.58

\* Weighted average diluted number of ordinary shares:

– for Q1 2016 (January-March): 12 191 166, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

– for Q1 2015 (January-March): 12 878 013, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

Statement of comprehensive income	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
Profit for the period	7 591	18 811
Other comprehensive income	-	-
<b>Comprehensive income for the period</b>	<b>7 591</b>	<b>18 811</b>
Comprehensive income attributable to shareholders of the parent	7 591	18 811
Comprehensive income attributable to non-controlling interests	-	-

#### 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
<b>1 Jan 2016</b>	<b>13 235</b>	<b>471 424</b>	<b>97 558</b>	<b>2 588</b>	<b>47 661</b>	<b>(57 487)</b>	<b>19 925</b>	<b>594 904</b>
Correction of fundamental errors 2015	-	-	-	-	-	-	-	-
<b>1 Jan 2016, adjusted</b>	<b>13 235</b>	<b>471 424</b>	<b>97 558</b>	<b>2 588</b>	<b>47 661</b>	<b>(57 487)</b>	<b>19 925</b>	<b>594 904</b>
<b>Comprehensive income for the three months ended 31 Mar 2016</b>	-	-	-	-	-	-	7 591	7 591
2015 profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Measurement of 2nd management options programme	-	-	-	-	-	-	-	-
Share issuance - incentive scheme	5	203	-	(208)	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(10 286)	-	(10 286)
Redemption of own shares	(900)	(51 743)	-	-	(337)	52 980	-	-
Dividend from 2015 profit	-	-	-	-	-	-	-	-
<b>31 Mar 2016</b>	<b>12 340</b>	<b>419 884</b>	<b>97 558</b>	<b>2 381</b>	<b>47 324</b>	<b>(14 794)</b>	<b>27 517</b>	<b>592 210</b>

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
<b>1 Jan 2015</b>	<b>15 180</b>	<b>551 988</b>	<b>100 084</b>	<b>5 206</b>	<b>110 593</b>	<b>(164 553)</b>	<b>(11 499)</b>	<b>606 999</b>
Correction of fundamental errors 2014	-	-	-	-	-	-	-	-
<b>1 Jan 2015, adjusted</b>	<b>15 180</b>	<b>551 988</b>	<b>100 084</b>	<b>5 206</b>	<b>110 593</b>	<b>(164 553)</b>	<b>(11 499)</b>	<b>606 999</b>
<b>Comprehensive income for the three months ended 31 Mar 2015</b>	-	-	-	-	-	-	18 811	18 811
2014 profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Measurement of 2nd management options programme	-	-	-	-	-	-	-	-
Share issuance - incentive scheme	44	1 658	-	(1 702)	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(14 777)	-	(14 777)
Redemption of own shares	-	-	-	-	-	-	-	-
Dividend from 2014 profit	-	-	-	-	-	-	-	-
<b>31 Mar 2015</b>	<b>15 224</b>	<b>553 647</b>	<b>100 084</b>	<b>3 504</b>	<b>110 593</b>	<b>(179 330)</b>	<b>7 313</b>	<b>611 035</b>

## 5. Condensed consolidated statement of cash flows

Operating activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Profit (loss) for the period</b>	<b>7 591</b>	<b>18 811</b>
<b>Adjusted by:</b>	<b>(3 822)</b>	<b>(14 162)</b>
Share of the net profit (loss) of equity-accounted entities	-	-
Depreciation / amortisation	11 926	11 048
(Profit) loss on exchange differences	39	50
Interest and shares of profit (dividends)	(151)	77
Income tax	1 857	1 145
Profit (loss) on investing activities	79	(7 642)
Change in provisions	2 744	2 213
Change in inventories	(14 779)	(4 650)
Change in receivables	2 854	172
Change in prepayments	(3 744)	1 712
Change in liabilities	(2 738)	(13 478)
Other adjustments	-	-
Income tax paid	(1 909)	(4 809)
<b>Net cash from operating activities</b>	<b>3 769</b>	<b>4 649</b>

Investing activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Inflows</b>	<b>14 617</b>	<b>13 807</b>
Disposal of property, plant and equipment and intangible assets	3 189	13 807
Disposal of financial assets	11 317	-
Disposal of interests in subsidiaries	-	-
Dividends received	-	-
Interest received	36	-
Repayment of loans issued	75	-
Cash of entities acquired, at acquisition date	-	-
Proceeds from use of investment properties	-	-
Other inflows	-	-
<b>Outflows</b>	<b>(19 879)</b>	<b>(13 680)</b>
Purchase of property, plant and equipment and intangible assets	(19 819)	(13 680)
Purchase of investment properties	-	-
Purchase of subsidiaries and associates	-	-
Purchase of financial assets	-	-
Borrowings granted	(60)	-
Cash of subsidiaries at disposal date	-	-
Expenditures on maintenance of investment properties	-	-
Other outflows	-	-
<b>Net cash from investing activities</b>	<b>(5 262)</b>	<b>127</b>

Financing activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Inflows</b>	-	-
Proceeds from credit facilities and loans	-	-
Issue of short-term debt instruments	-	-
Other inflows	-	-
<b>Outflows</b>	<b>(10 591)</b>	<b>(15 076)</b>
Repayment of borrowings	-	-
Buy-back of short-term debt instruments	-	-
Payment of finance lease liabilities	(242)	(221)
Interest and fees paid	(63)	(78)
Dividends paid	-	-
Purchase of own shares	(10 286)	(14 777)
Other outflows	-	-
<b>Net cash from financing activities</b>	<b>(10 591)</b>	<b>(15 076)</b>
<b>Change in cash and cash equivalents</b>	<b>(12 084)</b>	<b>(10 300)</b>
Exchange differences	-	-
<b>Cash and cash equivalents at the beginning of period</b>	<b>103 794</b>	<b>114 435</b>
<b>Cash and cash equivalents at the end of period</b>	<b>91 710</b>	<b>104 135</b>

## 6. Additional information

### 6.1 Description of Group structure

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

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

The parent's registered office is located in Warsaw, ul. Puławska 2, building B (the registered office address was changed on 15 April 2016).

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 are established for an indefinite period of time.

These consolidated financial statements are prepared for the period from 1 January 2015 to 31 March 2016, and the comparative financial data covers the period from 1 January 2015 to 31 March 2015. The consolidated financial statements do not contain combined data, and the companies do not have integral organisational entities that draft financial statements on their own.

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

#### Information on consolidation

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

As at 31 March 2016, consolidation includes Emperia Holding S.A. and 10 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., EMP Investment Limited, Ekon Sp. z o.o., IPOPEMA 55 FIZAN, Elpro Development S.A., Eldorado Sp. z o.o., P5 EKON Sp. z o.o. S.K.A.

During Q1 2016, Emperia Group's structure was not subject to changes (compared with the 2015 year-end).

No.	Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	ELPRO EKON Sp. z o.o. S.K.A. (1)	20-209 Lublin, ul. Projektowa 1	Property development	392753, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2001-02-15	100.00%	100.00%
4	P3 EKON Sp. z o.o. S.K.A. (2)	20-209 Lublin, ul. Projektowa 1	Property management	407301, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2007-11-29	100.00%	100.00%
5	Elpro Development S.A.	20-209 Lublin, ul. Projektowa 1	Renting and operating of own or leased real estate	509157, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
6	EKON Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Property management	367597, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
7	EMP Investment Ltd. (3)	Themistokli Dervi 3, JULIA HOUSE, P.C. 1066; Nicosia, Cyprus	Investments in property	HE 272278, Ministry of Commerce, Industry and Tourism, Company Registration Department Nicosia, Cyprus	Subsidiary	Full	2010-09-03	100.00%	100.00%

8	Ipopema 55 FIZAN (4)	00-850 Warsaw, Waliców 11	Trusts, funds and similar Financial instruments	RFI 591, Investment Fund Register maintained by the District Court in Warsaw	Subsidiary	Full	2010-12-09	100.00%	100.00%
9	Eldorado Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	03-10-2011	100.00%	100.00%
10	P5 EKON Sp. z o.o. S.K.A. (5)	20-209 Lublin, ul. Projektowa 1	Renting and operating of own or leased real estate	425738, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	24-11-2011	100.00%	100.00%

- (1) indirectly by IPOPEMA 55 FIZAN (80 825 shares), EKON Sp. z o.o. (contribution)  
 (2) indirectly by IPOPEMA 55 FIZAN (138 427 shares), EKON Sp. z o.o. (contribution)  
 (3) indirectly through Elpro Development S.A.  
 (4) indirectly by EMP Investment Limited  
 (5) indirectly by: IPOPEMA 55 FIZAN (56 047 shares), EKON Sp. z o.o. (contribution)

**Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 31 March 2016**

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

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

## 6.2 Description of key accounting principles

### 6.2.1 Basis for preparing consolidated financial statements

The consolidated financial statements are 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 of compliance

The consolidated financial statements of Emperia Holding S.A. are prepared in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union.

The consolidated financial statements reliably present the Group's financial situation, financial performance and cash flows.

The consolidated financial statements are prepared in accordance with the Ordinance of the Minister of Finance dated 19 October 2005 on current and periodic information disclosed by issuers of securities.

### 6.2.3 Segment reporting

Segment reporting identifies operating segments, which are a component of the 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. 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, Emperia Group'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., alongside revenue transferred from the central management segment (from Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue,
- 2 **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN; Elpro Development S.A. and the property segment carved out of Emperia Holding S.A.
- 3 **Central Management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o.
- 4 **IT** (IT segment), covering the operations of Infinite Sp. z o.o. - an IT services provider.



The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms. These transactions are subject to exclusion from consolidated financial statements, and in information about segment results (note 7.2) they are presented in the column "exclusions."

#### **6.2.4 Functional currency**

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

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

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

#### **6.2.5 Discontinued operations**

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

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

The accounting policy applied in preparing these consolidated financial statements for the first quarter of 2016 was the same as that used by the Group in preparing the consolidated financial statements for 2015.

A detailed description of the accounting policy is presented in the consolidated financial statements for 2015 (Notes from 10.2.10 to 10.2.30).

#### **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 2016**

The interim consolidated financial statements and interim separate financial statements for the first quarter of 2016 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 March 2016, 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**

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

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

### **6.2.10 Correction of errors**

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

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

### **6.2.11 Mergers, share purchases or disposals, capital increases**

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

On 14 January 2016, the Issuer introduced to stock-market trading 4 773 ordinary bearer shares series P, with nominal value of PLN 1 each.

Introducing the series P shares to trading was part of Emperia Holding S.A.'s Management Options Programme. The Company announced via current reports the terms and deadlines for registering the series P shares by the KDPW, as well as admission and introduction of the series P shares to stock-market trading.

From 14 January 2016, the Issuer's share capital amounts to PLN 13 240 268 and is divided into 13 240 268 ordinary bearer shares, with nominal value of PLN 1 each. The total number of voting rights carried by all of the Issuer's outstanding shares is 13 240 268.

The above share capital increase was registered in court on 29 February 2016.

#### **b) Share capital increase at Eldorado Sp. z o.o.**

On 25 February 2016, the Supervisory Board of Emperia Holding S.A. passed a resolution on increase of the Company's share capital from PLN 320 000 to PLN 342 000, i.e. by PLN 22 000, through the issue of 220 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for PLN 198 000 in cash. Excess of the cash consideration over the nominal value of the shares was transferred to supplementary capital.

#### **c) Share capital increase at EKON Sp. z o.o.**

On 25 February 2016, the Supervisory Board of Emperia Holding S.A. passed a resolution on increase of the Company's share capital from PLN 457 600 to PLN 492 000, i.e. by PLN 34 400, through the issue of 344 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for PLN

306 400 in cash. Excess of the cash consideration over the nominal value of the shares was transferred to supplementary capital.

**d) Registration of share capital reduction at Emperia Holding S.A.**

On 31 March 2016, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered a reduction in the share capital of Emperia Holding S.A. The capital reduction resulted from having cancelled 900 912 own shares bought back, which carried rights to 900 912 votes (6.799%) at the General Meeting and represented 6.799% of Emperia Holding S.A.'s share capital. Following the registration of changes, share capital amounted to PLN 12 340 049 and was divided into 12 340 049 ordinary bearer shares, which entitled to 12 340 049 votes at Emperia Holding S.A.'s General Meeting.

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

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

## 7. Notes to the financial statements

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

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

Item	Q1 2016	Q1 2015	%
Revenue from sales	605 464	486 342	24.5%
Profit (loss) on sales	161 398	140 230	15.1%
EBITDA	21 230	30 943	-31.4%
Operating profit (loss)	9 304	19 895	-53.2%
Profit (loss) before tax	9 448	19 956	-52.7%
Profit for the period	7 591	18 811	-59.6%

First-quarter revenue is higher than expected, while profit is in line with the Management Board's expectations. Revenue from sale in the first quarter of 2016 reached PLN 605 464 000, up 24.5% from Q1 2015. This was driven by growth in retail-segment revenue.

For the first quarter of 2016, profit was PLN 7 591 000, compared with PLN 18 811 000 in the same period last year, denoting 59.6% decline. First-quarter profit was mainly affected by a property disposal transaction in Q1 2015 and a 2.3% decline in margins in the retail segment, caused by: new pricing policy, changing the Stokrotka chain's price perception, use of promotional margins at new stores (especially those launched in 2015 and Q1 2016) and settlement of a promotional campaign. Furthermore, costs connected with the opening of a new logistics centre in Lublin were incurred in Q1 2016.

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

- In Q1 2016, no property disposal transactions took place, whereas in Q1 2015 gross/net profit on property disposals reached PLN 7 750 000,
- In Q1 2016, the retail segment incurred one-off costs connected with store closures of PLN 751 000, and PLN 618 000 in Q1 2015,
- In Q1 2016, the retail segment did not incur costs connected with contractual penalties and compensation, while in Q1 2015 these costs amounted to PLN 153 000,
- Costs connected with launching new stores in Q1 2016 came to PLN 1 782 000 (15 own stores opened), versus PLN 894 000 in Q1 2015 (8 own stores opened).

#### Changes in key items from the statement of profit and loss, adjusted for one-off events

Item	Q1 2016	Q1 2015	%
Revenue from sales	605 464	486 342	24.5%
Profit (loss) on sales	161 398	140 230	15.1%
EBITDA	23 763	24 858	-4.4%
Operating profit (loss)	11 837	13 810	-14.3%
Profit (loss) before tax	11 981	13 871	-13.6%
Profit for the period	9 643	12 410	-22.3%

### Changes in key balance sheet items

Item	Q1 2016	Q1 2015	%
Total assets	1 013 590	940 714	7.7%
Non-current assets	633 314	584 225	8.4%
Current assets	380 276	356 489	6.7%
Cash and cash equivalents	91 710	104 135	-11.9%
Liabilities and liability provisions	421 380	329 679	27.8%
Total current liabilities	397 894	304 986	30,5%
Net assets	592 210	611 035	-3.1%
Share capital (in PLN)	12 340 049	15 223 565	-18.9%
Current-period earnings per share, annualised* (in PLN)	3.05	3.59	-15.0%

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

### Operational performance and ability to meet liabilities

Item	Q1 2016	Q1 2015
Return on invested capital <i>(profit for the period / equity at the end of the period) in %</i>	1.3%	3.1%
Return on assets <i>(profit for the period / assets at the end of the period) in %</i>	0.7%	2.0%
Sales margin <i>(profit from sales for the period / revenue from sales for the period) in %</i>	26.7%	28.8%
EBITDA margin <i>(EBITDA / revenue from sales for the period) in %</i>	3.5%	6.4%
Operating margin <i>(operating profit for the period / revenue from sales for the period) in %</i>	1.5%	4.1%
Gross margin <i>(profit before tax for the period / revenue from sales for the period) in %</i>	1.6%	4.1%
Net margin <i>(profit for the period / revenue from sales for the period) in %</i>	1.3%	3.9%

### Turnover cycles for key components of working capital

Item	Q1 2016	Q1 2015
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*90)</i>	44	45
Receivables turnover days <i>(current receivables / revenue from sales*90)</i>	10	8
Payables turnover days <i>[(current liabilities - current borrowings) / value of goods for resale and materials sold*90]</i>	82	80
Asset productivity <i>(revenue from sales / total assets)</i>	0.60	0.52
Non-current asset productivity <i>(revenue from sales / non-current assets)</i>	0.96	0.83

In Q1 2016, inventory turnover decreased by 1 day, while receivables turnover increased by 2 days and payables turnover extended by 2 days. In effect, cash conversion cycle was extended by 1 day. A substantial growth in revenue from sale in Q1 2016 translated into growth in productivity ratios: total assets by 0.08, non-current assets by 0.13.



## Retail segment

	Q1 2016	Q1 2015	%
Segment revenue	593 342	472 435	25.59%
Profit on sales	155 656	135 418	14.94%
EBITDA	9 239	10 273	-10.07%
Operating result	240	2 211	-89.15%
Gross profit	(90)	1 146	-
<b>Net segment result</b>	<b>(442)</b>	<b>1 575</b>	<b>-</b>

Retail-segment revenue in Q1 2016 was PLN 593 342 000, up 25.59% from Q1 2015. The revenue growth resulted largely from having a higher number of retail sites launched in 2016 (17 new stores in Q1 2016, 9 in Q1 2015), as well as revenue growth in previously opened stores.

The retail segment's net profit came to PLN 442 000 in Q1 2016, compared with a net loss of PLN 1 575 000 in Q1 2015. First-quarter profit was mainly affected by a 2.3% decline in margins in the retail segment, caused by: new pricing policy, changing the Stokrotka chain's price perception, use of promotional margins at new stores (especially those launched in 2015 and Q1 2016) and settlement of a promotional campaign. Furthermore, the Company incurred costs connected with the opening of a new logistics centre in Lublin.

One-off events having substantial impact on the retail segment:

- In Q1 2016, the retail segment incurred one-off costs connected with store closures of PLN 751 000, and PLN 618 000 in Q1 2015,
- In Q1 2016, the retail segment did not incur costs connected with contractual penalties and compensation, while in Q1 2015 these costs amounted to PLN 153 000,
- Costs connected with launching new stores in Q1 2016 came to PLN 1 782 000 (15 own stores opened), versus PLN 894 000 in Q1 2015 (8 own stores opened).

### Retail-segment results, adjusted for one-off items

	Q1 2016	Q1 2015	%
Segment revenue	593 342	472 435	25.59%
Profit on sales	156 900	135 418	15.86%
EBITDA	11 772	11 938	-1.39%
Operating result	2 773	3 876	28.46%
Gross profit	2 443	2 811	13.09%
<b>Net segment result</b>	<b>1 610</b>	<b>2 924</b>	<b>44.94%</b>

### Stokrotka stores

	Q1 2016	Q1 2015
<b>Number of stores at the beginning of period</b>	<b>327</b>	<b>252</b>
- stores opened	17	9
- stores shut-down	4	2
<b>Number of stores at the end of period, including:</b>	<b>340</b>	<b>259</b>
- own supermarkets	243	222
- own markets	67	33
- franchise stores	30	4
Average total store surface - stores opened (in sqm)	453	417
Capex on own stores opened	10 961	5 561

As at the end of Q1 2016, the Stokrotka retail segment comprised 340 retail stores, vs. 259 at the end of Q1 2015. In Q1 2016, a total of 17 stores were opened (including 2 franchise locations), and 4 were closed down. In Q1 2015, a total of 9 stores were opened (including 1 franchise location), and 2 were closed down.

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

	Q1 2016	Q1 2015
Revenue from product sales	476.3	442.5
Store operating costs	105.3	103.5
<i>Operating costs as % of revenue</i>	<i>22.1%</i>	<i>23.4%</i>
EBITDA	29.2	26.0
<i>% EBITDA</i>	<i>6.1%</i>	<i>5.9%</i>

Data - 242 Stokrotka stores operating at the end of 2014

In the first quarter of 2016, the retail segment generated good results on a comparable store basis: 7.63% growth in revenue from sale, 0.2% growth in EBITDA.

### Stokrotka headquarters

	Q1 2016	Q1 2015
<i>central management costs as % of revenue from sales</i>	<i>2.1%</i>	<i>2.4%</i>
<i>marketing costs as % of revenue from sales</i>	<i>0.9%</i>	<i>0.9%</i>

### Cash conversion cycle in the retail segment

	Q1 2016	Q1 2015
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*365)</i>	44.4	45.2
Receivables turnover days <i>(trade receivables / revenue from sales*365)</i>	5.7	4.4
Payables turnover days <i>(trade payables / value of goods for resale and materials sold*365)</i>	67.0	63.2
Cash conversion cycle <i>(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)</i>	-16.9	-13.6

The cash conversion cycle in the retail segment increased by 3.3 days in Q1 2015, resulting from an increase in payables turnover by 3.8 days and decrease in receivables turnover by 0.8 days and increase of receivables turnover by 1.3 days.



### Property segment

	Q1 2016	Q1 2015	%
Segment revenue	17 659	17 940	-1.57%
EBITDA	10 186	18 326	-44.42%
Operating result	7 212	15 298	-52.86%
Gross profit	7 564	15 119	-49.97%
<b>Net segment result</b>	<b>6 325</b>	<b>14 068</b>	<b>-55.04%</b>

The property segment recorded a minor decrease in sales, by 1.57%, in the first quarter of 2016. The segment's net result was down 55.04% from the comparative period. The segment's first-quarter results were significantly impacted by property disposal transactions. Property disposals in Q1 2015 brought in PLN 7 750 000 in net profit.



### Property-segment results, adjusted for property disposal transactions

	Q1 2016	Q1 2015	%
Segment revenue	17 659	17 940	-1.57%
EBITDA	10 186	10 576	-3.69%
Operating result	7 212	7 548	-4.45%
Gross profit	7 564	7 369	2.65%
<b>Net segment result</b>	<b>6 325</b>	<b>6 318</b>	<b>0.11%</b>

Adjusted for property disposal transactions, the segment generated similar results in both of the periods being compared.

### Key information about properties

	Q1 2016	Q1 2015
<b>Number of properties at the end of period</b>	<b>91</b>	<b>92</b>
including: properties in progress	5	8
operating properties	86	84
including: retail properties	80	78
other properties	6	6
<b>average monthly net operating income from leasable facilities*</b>	<b>3 584</b>	<b>3 582</b>
including: retail properties	3 280	3 269
<b>leasable area of retail facilities (sqm)</b>	<b>87 620</b>	<b>88 610</b>
including: related tenants	55 844	54 197
other tenants	31 776	34 413
<b>average lease rate (PLN per sqm)</b>	<b>42.3</b>	<b>41.9</b>
including: related tenants	43.5	43.4
other tenants	40.1	39.5

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

### Central management segment

	Q1 2016	Q1 2015	%
Segment revenue	223	469	-52.45%
EBITDA	(584)	146	-
Operating result	(678)	(47)	-
Gross profit	(585)	1 214	-
<b>Net segment result</b>	<b>(426)</b>	<b>1 053</b>	<b>-</b>

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 component of profit in both reporting periods was interest income, which amounted to PLN 93 000 in Q1 2016 and PLN 1 261 000 in Q1 2015.



**infinite**  
IT Solutions

## IT segment

	Q1 2016	Q1 2015	%
Segment revenue	10 223	10 971	-6.82%
EBITDA	2 242	2 635	-14.91%
Operating result	1 968	2 402	-18.07%
Gross profit	1 997	2 446	-18.36%
<b>Net segment result</b>	<b>1 599</b>	<b>1 971</b>	<b>-18.87%</b>

	Q1 2016	Q1 2015	%
Revenue from sale of services	8 418	7 149	17.75%
<i>including: external</i>	6 232	4 909	26.95%
Revenue from sale of goods and materials	1 805	3 822	-52.77%
<i>including: external</i>	299	3 197	-90.65%
Total revenue	10 223	10 971	-6.82%
<i>including: external</i>	6 531	8 106	-19.43%

Revenue from sale in the IT segment in Q1 2016 was 6.82% lower than in Q1 2015. In Q1 2016, segment revenue from external customers constituted 63.98% of total revenue from sales, while in Q1 2015 it accounted for 73.89%.

Revenue from sale of services grew by 17.75% (to external customers by 26.95%), while revenue from sale of products and materials declined by 52.77% (to external customers by 90.64%).

The segment's net result was down 18.87% in Q1 2016 over the same period last year. The decline in profit in Q1 2016 was caused by higher costs, incurred mainly in connection with development of the Company's existing products as well as new product development.

## 7.2 Revenue and profit by operating segment

In 2016, the Group operated through the following segments:

- 1 **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o., alongside revenue transferred from the central management segment (from Emperia Holding S.A.) concerning retail agency agreements, including statistically assigned and accounted costs relating to this revenue,

- 2 **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., P5 EKON Sp. z o.o. S.K.A., EMP Investment Limited, IPOPEMA 55 FIZAN; Elpro Development S.A. and the property segment carved out of Emperia Holding S.A.
- 3 **Central Management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o.
- 4 **IT** (IT segment), covering the operations of Infinite Sp. z o.o. - an IT services provider.

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

Emperia Group's operating segments in Q1 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	593 342	17 659	223	10 223	15 983	605 464
External revenue	593 339	5 593	2	6 531	-	605 464
Inter-segment revenue	3	12 066	221	3 692	15 982	-
Total segment costs	(593 193)	(10 031)	(955)	(8 266)	(16 589)	(595 856)
Profit (loss) on sales	149	7 628	(732)	1 957	(606)	9 608
Result on other operating activities	91	(416)	54	11	44	(304)
Result on financing activities	(330)	352	93	29	-	144
Gross result	(90)	7 564	(585)	1 997	(562)	9 448
Tax	(352)	(1 239)	159	(398)	27	(1 857)
Share of the profit of equity-accounted entities	-	-	-	-	-	-
<b>Net segment result</b>	<b>(442)</b>	<b>6 325</b>	<b>(426)</b>	<b>1 599</b>	<b>(535)</b>	<b>7 591</b>

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	525 207	1 256 359	454 302	25 175	1 247 453	1 013 590
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(18 805)	(833)		(247)	(66)	(19 819)
Depreciation / amortisation	(8 999)	(2 974)	(94)	(274)	(415)	(11 926)

Emperia Group's operating segments in Q1 2015:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	472 435	17 940	469	10 971	15 473	486 342
External revenue	472 426	5 808	3	8 106	-	486 342
Inter-segment revenue	9	12 132	466	2 865	15 472	-
Total segment costs	(471 342)	(10 148)	(1 056)	(8 556)	(15 967)	(475 135)
Profit (loss) on sales	1 093	7 792	(587)	2 415	(494)	11 207
Result on other operating activities	1 118	7 506	540	(13)	463	8 688
Result on financing activities	(1 065)	(179)	1 261	44		61
Gross result	1 146	15 119	1 214	2 446	(31)	19 956
Tax	429	(1 051)	(161)	(475)	(113)	(1 145)
Share of the profit of equity-accounted entities	-	-	-	-	-	-
<b>Net segment result</b>	<b>1 575</b>	<b>14 068</b>	<b>1 053</b>	<b>1 971</b>	<b>(144)</b>	<b>18 811</b>

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	410 382	1 264 719	556 228	26 989	1 317 604	<b>940 714</b>
Goodwill	39 200	12 844	-	-	-	<b>52 044</b>

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(8 030)	(5 905)	-	(210)	(465)	<b>(13 680)</b>
Depreciation / amortisation	(8 062)	(3 028)	(193)	(233)	(469)	<b>(11 048)</b>

### 7.3 Effects of changes in group structure

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

### 7.4 Management's position regarding previously published forecasts

The Management Board of Emperia Holding S.A. did not publish forecasts for 2016.

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

Shareholders	Shares held, as at 31 March 2016	% 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 March 2016	% of votes at general meeting at 31 Mar 2016
Ipopema TFI	1 458 583	11.82%	-	1 458 583	11.02%	1 458 583	12.04%
Altus TFI	1 449 528	11,75%	-	1 449 528	10.95%	1 449 528	11.97%
AXA OFE	977 481	7.92%	-	977 481	7.38%	977 481	8.07%
Aviva OFE	834 991	6.77%	-	834 991	6.31%	834 991	6.90%
NN OFE	755 713	6.12%	-	755 713	5.71%	755 713	6.24%

At 31 March 2016, Elpro Development S.A. held 229 317 shares of Emperia Holding S.A.

Information on shares issues and share redemptions in Q1 2016 is presented in point 10.2.11a) and d).

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

Management Board members	Shares held, as at 31 March 2016	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published
Dariusz Kalinowski	26 094	0.211%	-	26 094	0.197%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 31 March 2016	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published
Jarosław Wawerski	19 494	0.158%	-	19 494	0.147%

## 7.7 Information regarding on-going judicial proceedings

### Legal case regarding breach of agreement

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

S.A. regarding the share price. An arbitrage proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.

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

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

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

#### **Tax probe by Treasury Control Office**

On 1 March 2016, Emperia Holding S.A. received a protocol on the audit of its books, issued under control proceedings led by the Head of the Treasury Control Office in Lublin, concerning accuracy of the declared tax basis and correctness of CIT calculations and payments for 2011.

The protocol included a legal assessment stating that the Company generated additional tax income from the sale of its Distribution Segment in 2011, amounting to PLN 959 308 086.76.

The protocol is a public document that does not decide the case. However, if the protocol is approved via a decision by the Head of the Treasury Control Office in Lublin and subsequently this decision is received by the appeal authority (Head of Tax Chamber), the above may result in the Company having to pay tax arrears of PLN 182 268 537.00, together with interest for delay from 3 April 2012.

On 15 March 2016, the Company submitted to the Head of the Treasury Control Office in Lublin its comments regarding the protocol. The Company's Management Board and its tax advisers do not agree with the protocol's conclusions. The Company will undertake all available legal steps in order to show that these conclusions are groundless.

## **7.8 Significant related-party transactions**

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

All inter-group mergers in Q1 2016 are presented in point 6.2.11. Short-term bonds were issued as part of the Group's cash flow management, as described in note 7.14.5.

## 7.9 Credit facilities, loans, sureties and guarantees

In Q1 2016, the parent, Emperia, did not issue new credit sureties for subsidiaries such as would exceed 10% of the Issuer's equity. Information concerning guarantees may be found in note 7.14.7.

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

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

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

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

	Q1 2016	Q1 2015
Proceeds from disposal of properties	-	13 764
Costs of disposal of properties	-	(14 746)
reversal of consolidation adjustments	-	8 732
gross result	-	7 750
current tax	-	-
deferred tax	-	-
<b>Net result</b>	<b>-</b>	<b>7 750</b>

Other one-off items are described in note 7.1.

## 7.12 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
- Conditions on the property market, in particular the development segment

**Internal:**

- a) Business process optimisation (improved operating performance and higher management quality in all segments),
- b) Streamlined structure of the property segment,
- c) Internal cost control policy,
- d) Effectiveness improvements in in-house logistics within the retail segment
- e) Growth dynamic of the Stokrotka retail chain

### 7.13 Changes in composition of the Issuer's Management Board and Supervisory Board

#### Management Board



**Dariusz Kalinowski – President of the Management Board**

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



**Cezary Baran – Vice-President of the Management Board**

- 15 years with Emperia Holding S.A.
- Graduated from the Economics Department at the Maria Curie Skłodowska University in Lublin
- Investment adviser licence no. 241
- Member of the Management Board, Finance Director, Stokrotka Sp. z o.o.

In Q1 2015, the composition of the Management Board of Emperia Holding S.A. did not change.



## Supervisory Board

### Artur Kawa – Chairman of the Supervisory Board

- Co-founder of Emperia Holding S.A.
- Was President of the Management Board, Emperia Holding S.A. from founding to 2013
- Graduated from the Electrics Department at the Technical University in Lublin
- MBA from the University of Minnesota

### Jarosław Wawerski – Member of the Supervisory Board

- Co-founder of Emperia Holding S.A.
- Graduated from the Electrics Department at the Technical University in Lublin
- Vice-President of the Management Board, Emperia Holding S.A. during 1995-2012

### Artur Laskowski – Member of the Supervisory Board

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

### Aleksander Widera – Member of the Supervisory Board

- Higher education, graduate of the Finance and Banking faculty at the Warsaw School of Economics and post-graduate studies in management at the same university

### Michał Kowalczewski – Independent Member of the Supervisory Board

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

The composition of Emperia Holding S.A.'s Supervisory Board did not change during Q1 2016.

## 7.14 Other significant information and events

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

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

### 7.14.2 Production seasonality and cyclicity

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

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

The event is described in point 7.10.

**7.14.4 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 2016	Change in 2015
<b>Non-current</b>		
As at the beginning of period	994	796
<i>Increases / decreases during the period</i>	-	198
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>994</b>	<b>994</b>
<b>Current</b>		
As at the beginning of period	9 412	5 878
<i>Increases / decreases during the period</i>	2 438	3 534
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>11 850</b>	<b>9 412</b>
<b>Other provisions</b>		
<b>Non-current</b>		
As at the beginning of period	13 606	19 046
<i>Increases / decreases during the period</i>	(1 252)	(5 440)
<i>Increases / decreases during the period as a result of acquisitions</i>	-	-
<b>As at the end of period</b>	<b>12 354</b>	<b>13 606</b>
<b>Current</b>		
As at the beginning of period	9 214	9 673
<i>Increases / decreases during the period</i>	1 560	(459)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>10 774</b>	<b>9 214</b>

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

**Bonds issued**

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

Subsidiary ELPRO EKON Sp. z o.o. S.K.A. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by ELPRO EKON Sp. z o.o. S.K.A. during Q1 2016 and 2015:

Issue and buy-back of bonds in Q1 2016	Total	External issuance	Emperia Holding S.A.	P5 EKON Sp. z o.o. S.K.A.
<b>As at the beginning of period</b>	<b>33 500</b>	-	-	<b>33 500</b>
<i>Issue of bonds</i>	<i>100 500</i>	-	-	<i>100 500</i>
<i>Buy-back of bonds</i>	<i>(100 500)</i>	-	-	<i>(100 500)</i>
<b>As at the end of period</b>	<b>33 500</b>	-	-	<b>33 500</b>

Issue and buy-back of bonds in 2015	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
<b>As at the beginning of period</b>	<b>33 500</b>	-	<b>33 500</b>	-
<i>Issue of bonds</i>	<i>368 460</i>	-	<i>301 460</i>	<i>67 000</i>
<i>Buy-back of bonds</i>	<i>(368 460)</i>	-	<i>(334 960)</i>	<i>(33 500)</i>
<b>As at the end of period</b>	<b>33 500</b>	-	-	<b>33 500</b>

**b) Stokrotka Sp. z o.o.**

Subsidiary Stokrotka Sp. z o.o. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 150 000 000. Issue and buy-back of bonds (presented at par values) by Stokrotka Sp. z o.o. during Q1 2016 and 2015:

Issue and buy-back of bonds in Q1 2016	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
<b>As at the beginning of period</b>	<b>25 000</b>	-	-	<b>25 000</b>
<i>Issue of bonds</i>	<i>125 000</i>	-	<i>14 000</i>	<i>111 000</i>
<i>Buy-back of bonds</i>	<i>(120 000)</i>	-	<i>(14 000)</i>	<i>(106 000)</i>
<b>As at the end of period</b>	<b>30 000</b>	-	-	<b>30 000</b>

Issue and buy-back of bonds in 2015	Total	External issuance	Emperia Holding S.A.	P3 EKON Sp. z o.o. S.K.A
<b>As at the beginning of period</b>	<b>100 000</b>	-	<b>100 000</b>	-
<i>Issue of bonds</i>	<i>584 845</i>	-	<i>524 845</i>	<i>60 000</i>
<i>Buy-back of bonds</i>	<i>(659 845)</i>	-	<i>(624 845)</i>	<i>(35 000)</i>
<b>As at the end of period</b>	<b>25 000</b>	-	-	<b>25 000</b>

**c) Elpro Development S.A.**

Subsidiary Elpro Development S.A. has an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of up to PLN 200 000 000. Issue and buy-back of bonds (presented at par values) by Elpro Development S.A. in Q1 2016 and in 2015:

Issue and buy-back of bonds in Q1 2016	Total	External issuance	Elpro Ekon S.K.A	P5 EKON Sp. z o.o. S.K.A	P3 EKON Sp. z o.o. S.K.A	Infinite Sp. z o.o.
<b>As at the beginning of period</b>	<b>139 500</b>	-	<b>28 000</b>	<b>59 000</b>	<b>45 500</b>	<b>7 000</b>
<i>Issue of bonds</i>	<i>150 500</i>	-	<i>37 000</i>	<i>61 000</i>	<i>45 500</i>	<i>7 000</i>
<i>Buy-back of bonds</i>	<i>(142 500)</i>	-	<i>(30 000)</i>	<i>(60 000)</i>	<i>(45 500)</i>	<i>(7 000)</i>
<b>As at the end of period</b>	<b>147 500</b>	-	<b>35 000</b>	<b>60 000</b>	<b>45 500</b>	<b>7 000</b>

Issue and buy-back of bonds in 2015	Total	External issuance	Elpro Ekon S.K.A	P5 EKON Sp. z o.o. S.K.A	P3 EKON Sp. z o.o. S.K.A	Infinite Sp. z o.o.
<b>As at the beginning of period</b>	<b>180 500</b>	-	-	<b>58 000</b>	<b>111 500</b>	<b>11 000</b>
Issue of bonds	1 767 067	-	116 000	528 600	995 531	126 936
Buy-back of bonds	(1 808 067)	-	(88 000)	(527 600)	(1 061 531)	(130 936)
<b>As at the end of period</b>	<b>139 500</b>	-	<b>28 000</b>	<b>59 000</b>	<b>45 500</b>	<b>7 000</b>

In 2014 and 2015, Emperia Holding S.A. issued a total of 158 632 series A and B bonds convertible to series P shares. A proposal to purchase these bonds was submitted to Millennium Dom Maklerski S.A. In the course of 2014 and 2015, Emperia Holding S.A. bought back 156 654 series A and B bonds, as communicated by the Company via current reports.

*Debt security liabilities as at 31 March 2016*

Issuer	Series	Par value	Maturity date	As at 31 March 2016
Stokrotka Sp. z o.o.	0150*	30 000	2016-04-27	-
Elpro Ekon Sp. z o.o. S.K.A.	0169*	33 500	2016-04-27	-
Elpro Development S.A.	0047*	7 000	2016-05-27	-
Elpro Development S.A.	0047*	35 000	2016-05-27	-
Elpro Development S.A.	0047*	60 000	2016-05-27	-
Elpro Development S.A.	0047*	45 500	2016-05-27	-

**All bond issuance by the Group**

Other

**Total debt instrument liabilities**

short-term

Non-current

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

*Debt security liabilities as at 31 December 2015*

Issuer	Series	Par value	Maturity date	As at 31 December 2015
Stokrotka Sp. z o.o.	0145*	25 000	2016-01-29	-
Elpro Ekon Sp. z o.o. S.K.A.	0166*	33 500	2016-01-29	-
Elpro Development S.A.	0043*	28 000	2016-03-25	-
Elpro Development S.A.	0043*	7 000	2016-03-25	-
Elpro Development S.A.	0043*	59 000	2016-03-25	-
Elpro Development S.A.	0043*	45 500	2016-03-25	-

**All bond issuance by the Group**

Other

**Total debt instrument liabilities**

short-term

Non-current

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

#### 7.14.6 Paid and received dividends

Dividend was not paid out in Q1 2016.

#### Management Board and Supervisory Board recommendation regarding the 2015 dividend

As of the date on which these financial statements were prepared, the Company's Management Board had not adopted a resolution on a recommendation on the allocation of the 2015 profit.

#### 7.14.7 Changes in off-balance sheet liabilities

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

Changes in off-balance sheet liabilities during Q1 2016	Credit facilities	Bank guarantees	Security interests
<b>Transfer of ownership / pledge / assignment of current assets</b>			
As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-
<b>As at the end of period</b>	<b>-</b>	<b>15 000</b>	<b>-</b>
<b>Guarantees</b>			
As at the beginning of period	-	47 500	9 646
<i>Increases during the period</i>	-	-	6 000
<i>Decreases during the period</i>	-	-	(3 950)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-
<b>As at the end of period</b>	<b>-</b>	<b>47 500</b>	<b>11 696</b>

Changes in off-balance sheet liabilities during 2015	Credit facilities	Bank guarantees	Security interests
<b>Transfer of ownership / pledge / assignment of current assets</b>			
As at the beginning of period	-	15 000	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-
<b>As at the end of period</b>	<b>-</b>	<b>15 000</b>	<b>-</b>
<b>Guarantees</b>			
As at the beginning of period	-	47 500	23 246
<i>Increases during the period</i>	-	-	2 250
<i>Decreases during the period</i>	-	-	(15 850)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-	-
<b>As at the end of period</b>	<b>-</b>	<b>47 500</b>	<b>9 646</b>

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

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

Impairment - recognition and reversal	Change in Q1 2016	Change in 2015
<b>Impairment of property, plant and equipment</b>		
As at the beginning of period	(7 886)	(8 815)
<i>Recognition</i>	-	(383)
<i>Reversal</i>	-	1 312
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>(7 886)</b>	<b>(7 886)</b>
<b>Impairment of receivables</b>		
As at the beginning of period	(10 742)	(9 794)
<i>Recognition</i>	(674)	(3 376)
<i>Reversal</i>	284	1 358
<i>Changes as a result of acquisitions / disposals</i>	-	-
<i>Derecognised from statement of profit and loss*</i>	174	1 070
<b>As at the end of period</b>	<b>(10 958)</b>	<b>(10 742)</b>
<b>Impairment of inventories</b>		
As at the beginning of period	(19 784)	(15 774)
<i>Recognition</i>	(5 665)	(19 952)
<i>Reversal</i>	1 433	15 942
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>(24 016)</b>	<b>(19 784)</b>
<b>including: Impairment losses on inventory control</b>		
As at the beginning of period	(5 440)	(4 754)
<i>Recognition</i>	(5 388)	(16 627)
<i>Reversal</i>	1 198	15 942
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>9 630</b>	<b>(5 440)</b>
<b>including: Impairment losses on bonuses</b>		
As at the beginning of period	(14 110)	(10 879)
<i>Recognition</i>	(277)	(3 231)
<i>Reversal</i>	-	-
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>(14 387)</b>	<b>(14 110)</b>
<b>including: Impairment of slow-moving inventories</b>		
As at the beginning of period	(235)	(141)
<i>Recognition</i>	-	(94)
<i>Reversal</i>	235	-
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>-</b>	<b>(235)</b>

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

### 7.14.9 Recognition / reversal of cost restructuring provisions

Did not occur during the reporting period or comparative period.

### 7.14.10 Deferred income tax

Deferred income tax assets	Change in Q1 2016	Change in 2015
As at the beginning of period	22 009	18 272
<i>Increase</i>	675	6 120
<i>Decrease</i>	(165)	(2 383)
<i>Change as a result of acquisition</i>	-	-
<b>As at the end of period</b>	<b>22 519</b>	<b>22 009</b>

Deferred income tax provision	Change in Q1 2016	Change in 2015
As at the beginning of period	4 497	2 681
<i>Recognition</i>	147	2 975
<i>Reversal</i>	(61)	(1 159)
<i>Change as a result of acquisition</i>	-	-
<b>As at the end of period</b>	<b>4 583</b>	<b>4 497</b>

### 7.14.11 Financial and operating leasing

#### a) Finance lease liabilities

Finance lease liabilities	31 Mar 2016	
	Minimum payments	Present value of minimum payments
<i>Within 1 year</i>	1 203	1 025
<i>Within 1 to 5 years</i>	1 504	1 418
<i>Within more than 5 years</i>	-	-
<b>Total</b>	<b>2 708</b>	<b>2 443</b>

Finance lease liabilities	31 Dec 2015	
	Minimum payments	Present value of minimum payments
<i>Within 1 year</i>	1 203	1 002
<i>Within 1 to 5 years</i>	1 806	1 683
<i>Within more than 5 years</i>	-	-
<b>Total</b>	<b>3 009</b>	<b>2 685</b>

**b) Operating leasing**

Did not occur during the reporting period or comparative period.

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

Q1 2016	Term of agreement	As at 31 Mar 2016	As at 31 Mar 2017	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	24 149	97 636	390 017	487 123
	unspecified	993	3 783	15 133	18 916
Technical equipment and machinery	specified	36	48	-	-
	unspecified	28	113	452	565
Means of transport	specified	1 903	6 970	13 311	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

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

**2015**

	Term of agreement	As at 31 Dec 2015	As at 31 Dec 2016	1 to 5 years	Over 5 years
		Minimum annual payment			
Property	specified	90 715	95 224	380 191	474 920
	unspecified	2 326	2 526	10 104	12 630
Technical equipment and machinery	specified	28	167	-	-
	unspecified	97	101	404	505
Means of transport	specified	7 024	6 970	15 054	-
	unspecified	-	-	-	-
Other property, plant and equipment	specified	-	-	-	-
	unspecified	-	-	-	-

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

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

Did not take place in Q1 2016.

**7.14.13 Correction of prior-period errors**

Did not take place in Q1 2016.

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

Did not take place in Q1 2016.



#### 7.14.15 Charitable work at Emperia Group

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



The Emperia Foundation was established in 2010. It helps out those employees and their loved ones who are faced with difficulties. The Foundation helps out employees and their families - children, spouses and parents - as well as former employees who are now retired. The Foundation also contributes to the development of children and youth. The Foundation co-finances medicine purchases and doctor visits as well as covers the costs of rehabilitation and health travel. The Foundation also supports its beneficiaries in obtaining other forms of assistance.



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



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



#### Blood drive

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



#### Share-a-Meal Programme

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



### Environmental protection

Environmental protection is one of the 21st century's largest challenges for humanity. Global problems can be solved only if we all take action. Stokrotka employs 7 500 people across 341 stores, 10 warehouses and at its headquarters. We serve thousands of customers every day. Given such a large number of people and locations, we implement the following pro-environment initiatives:

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



### Mammobuses

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



### Donation drive for animal shelter

Our company has decided to become involved in helping animals. In the central office around Christmas we collect food, blankets and towels for an animal shelter in Lublin. We wanted to raise our employees' awareness of the everyday problems faced by animal shelters in Poland. These are over-crowding and lack of sufficient funding to meet the animals' needs, particularly visible in the winter. The campaign met with very strong interest, thanks to which homeless animals from the Lublin area received a lot of gifts.

## Miesięczne Praktyki Bezpłatne

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

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

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

Benefits for interns:

- interesting, valuable professional experience,
- new skills and 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.

## Letnia Szkoła Menadżera

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

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

Salary

Valuable professional experience

Familiarity with one of the largest FMCG companies

Opportunity to work on business projects under professional supervision

Participation in personalised training

We later hire many of the graduates of these internships.



### Open Days

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



### Internship and Job Fair

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



### Facebook profile for students

With a view toward reaching a wide audience online, we have created a source of

information and communications - the Facebook profile "Stokrotka-sprawdź nas w praktyce". We show our potential interns and employees the company life, not necessarily just the formal one. We want to encourage them to get interested in our business.



### Employee Rewards

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



### Sponsorship

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



### Running team

We support our employees' passions and we help to foster them. At the same time, we want to promote our company. At the initiative of our most top running aficionados, the Stokrotka Team was established. It is supported by our company in terms of marketing and funding. We are proud of our employees.



### Stokrotka Passions

Our employees are active not only at work. They partake in diverse, fascinating activities in their free time. We want to support such active behaviours because we believe that a happy employee is also full of passion in his or her professional life. Therefore, we have launched the Stokrotka Passions Programme which co-finances hobbies for our employees.

#### **7.14.16 Other significant events during the reporting period**

##### **a) Buy-back programme at Emperia Holding S.A. carried out by subsidiary Elpro Development S.A.**

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. during Q1 2016 purchased, in block transactions, 161 660 shares of Emperia Holding S.A. for cancellation. At the date on which these financial statements were published, Elpro Development S.A. held a total of 229 317 shares in the Issuer, entitling to 229 317 (1.858%) votes at the Issuer's general meeting and constituting 1.858% of the Issuer's share capital.

On 30 March 2016, the Management Board of Emperia Holding S.A. passed a resolution to extend the "Buy-back programme at Emperia Holding carried out by Elpro Development S.A. in Lublin (formerly P1 Sp. z o.o.)" to 30 September 2016 and to increase the amount earmarked for share purchases under the programme to PLN 110 000 000.

On 31 March 2016, 900 291 own shares held by Emperia Holding S.A. were cancelled. Details on this subject are presented in point 6.2.11 d).

##### **b) Intra-group bond issuance**

On 4 January 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 198.5 million.

On 29 January 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 68.5 million.

On 4 March 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 78.5 million.

On 25 March 2016, subsidiaries Stokrotka Sp. z o.o. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 141.5 million.

On 31 March 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Elpro Development S.A. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 63.5 million.

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

##### **a) Buy-back programme at Emperia Holding S.A. carried out by subsidiary Elpro Development S.A.**

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. purchased after the end of the reporting period, in block transactions, 18 019 shares of Emperia Holding S.A. for cancellation. At the date on which these financial statements were published, Elpro Development S.A. held a total of 247 336 shares in the Issuer, entitling to 247 336 (2.004%) votes at the Issuer's general meeting and constituting 2.004% of the Issuer's share capital.

**b) Extraordinary General Meeting of Emperia Holding S.A.**

An Extraordinary General Meeting of Emperia Holding S.A. was held on 5 April 2016. The subject of the EGM was a resolution on amendment of the Company's articles of association as regards change of the Company's registered office. The parent's registered office is located in Warsaw, ul. Puławska 2, building B (the registered office address was changed on 15 April 2016).

**c) Intra-group bond issuance**

On 27 April 2016, subsidiaries Stokrotka Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A. and Stokrotka Sp. z o.o. issued short-term bonds, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 73.5 million.

## 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 2016 to 31 Mar 2016	For the period from 1 Jan 2015 to 31 Mar 2015	For the period from 1 Jan 2016 to 31 Mar 2016	For the period from 1 Jan 2015 to 31 Mar 2015
I.	Net revenue from sale of products, goods and materials	3 852	4 064	884	980
II.	Operating profit (loss)	1 269	1 382	291	333
III.	Profit (loss) before tax	1 506	2 801	346	675
IV.	Profit (loss) for the period	1 207	2 351	277	567
V.	Net cash flows from operating activities	671	(1 894)	154	(457)
VI.	Net cash flows from investing activities	11 747	788	2 697	190
VII.	Net cash flows from financing activities	-	-	-	-
VIII.	Total net cash flows	12 418	(1 106)	2 851	(267)
IX.	Total assets	509 919	509 606	119 464	119 584
X.	Liabilities and liability provisions	59 306	60 200	13 894	14 126
XI.	Total non-current liabilities	717	763	168	179
XII.	Total current liabilities	58 589	59 437	13 726	13 947
XIII.	Equity	450 613	449 406	105 570	105 457
XIV.	Share capital	12 340	13 235	2 891	3 106
XV.	Number of shares	12 340 049	12 847 877	12 340 049	12 847 877
XVI.	Weighted average number of shares	12 190 031	12 878 013	12 190 031	12 878 013
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	1.99	1.24	0.46	0.30
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	1.99	1.24	0.46	0.30
XIX.	Book value per share* (in PLN/EUR)	36.97	35.93	8.66	8.43
XX.	Diluted book value per share** (in PLN/EUR)	36.96	35.93	8.66	8.43
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	1.33	-	0.32

\* 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 2016 (January-March): 12 190 031

- for Q1 2015 (January-March): 12 847 877

#### Selected financial data is 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 2016 was EURPLN 4.3559 and for Q1 2015: EURPLN 4.1489.
- 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 March 2016: EURPLN 4.2684; as at 31 December 2015: EURPLN 4.2615.
- 3 Dividend paid out is translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 19 June 2015 was EURPLN 4.1715.

## 8.2 Condensed separate statement of financial position

	31 Mar 2016	31 Dec 2015
<b>Total non-current assets</b>	<b>484 025</b>	<b>483 860</b>
Property, plant and equipment	55 893	56 178
Investment properties	-	-
Intangible assets	1 394	1 470
Financial assets	426 614	426 109
Non-current receivables	-	-
Deferred income tax assets	123	102
Other non-current prepayments	1	1
<b>Total current assets</b>	<b>25 894</b>	<b>25 746</b>
Inventories	-	-
Current receivables	2 693	3 892
Income tax receivables	-	58
Short-term securities	-	11 138
Current prepayments	212	87
Cash and cash equivalents	22 989	10 571
Other financial assets	-	-
Current assets classified as held-for-sale	-	-
<b>Total assets</b>	<b>509 919</b>	<b>509 606</b>
<b>Total equity</b>	<b>450 613</b>	<b>449 406</b>
Share capital	12 340	13 235
Share premium	411 109	465 315
Supplementary capital	-	-
Management options provision	516	723
Reserve capital	-	337
Buy-back provision	-	-
Own shares	-	(55 646)
Retained earnings	26 648	25 442
<b>Total non-current liabilities</b>	<b>717</b>	<b>763</b>
Credit facilities, loans, debt instruments and other non-current financial liabilities	-	-
Non-current liabilities	93	89
Provisions	32	32
Deferred income tax provision	592	642
<b>Total current liabilities</b>	<b>58 589</b>	<b>59 437</b>
Credit facilities, loans, debt instruments and other current financial liabilities	0	0
Current liabilities	56 924	57 903
Income tax liabilities	37	-
Provisions	422	325
Deferred revenue	1 206	1 209
<b>Total equity and liabilities</b>	<b>509 919</b>	<b>509 606</b>



Book value	450 613	449 406
Number of shares	12 340 049	13 235 495
Weighted average number of shares	12 190 031	12 506 772
Diluted number of shares	12 191 166	12 508 001
Book value per share (in PLN)*	36.97	35.93
Diluted book value per share (in PLN)**	36.96	35.93

\* 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 Mar 2016	Three months ended 31 Mar 2015
Revenue from sales	3 852	4 064
Cost of sales	(1 784)	(2 182)
<b>Profit on sales</b>	<b>2 068</b>	<b>1 882</b>
Other operating revenue	75	548
Selling costs	-	-
Administrative expenses	(869)	(820)
Other operating expenses	(5)	(228)
<b>Operating profit</b>	<b>1 269</b>	<b>1 382</b>
Finance income	237	1 419
Finance costs	0	-
<b>Profit before tax</b>	<b>1 506</b>	<b>2 801</b>
Income tax	(299)	(450)
- current	(370)	(488)
- deferred	71	38
<b>Profit for the period</b>	<b>1 207</b>	<b>2 351</b>
Profit for the period attributable to owners of the parent	1 207	2 351
Profit for the period attributable to non-controlling interests	-	-

	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Profit (loss) for the period (annualised)</b>	<b>24 300</b>	<b>15 952</b>
Weighted average number of ordinary shares	12 190 031	12 847 877
Weighted average diluted number of ordinary shares*	12 191 166	12 878 013
Profit (loss) per ordinary share, annualised (in PLN)	1.99	1.24
Diluted profit (loss) per ordinary share, annualised* (in PLN)	1.99	1.24

\* Weighted average diluted number of ordinary shares:

– for Q1 2016 (January-March): 12 191 166, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

– for Q1 2015 (January-March): 12 878 013, taking into consideration the dilutive effect of options granted under the 2010 and 2011 tranches of the 2nd Management Options Programme 2010-2012.

Statement of comprehensive income	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Profit for the period</b>	<b>1 207</b>	<b>2 351</b>
Other comprehensive income:	-	-
<b>Comprehensive income for the period</b>	<b>1 207</b>	<b>2 351</b>

## 8.4 Condensed separate statement of changes in equity

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
<b>As at the beginning of period: 1 January 2016</b>	<b>13 235</b>	<b>465 315</b>	-	<b>723</b>	<b>337</b>	<b>25 442</b>	<b>(55 646)</b>	<b>449 406</b>
Change in accounting standards and policies	-	-	-	-	-	-	-	-
<b>As at the beginning of period: 1 January 2016, adjusted</b>	<b>13 235</b>	<b>465 315</b>	-	<b>723</b>	<b>337</b>	<b>25 442</b>	<b>(55 646)</b>	<b>449 406</b>
Comprehensive income for the three months ended 31 Mar 2016	-	-	-	-	-	1 207	-	1 207
Share issuance - incentive scheme	5	203	-	(208)	-	-	-	-
Share capital reduction as a result of share issue	-	-	-	-	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Redemption of own shares	(900)	(54 410)	-	-	(337)	-	55 646	-
Dividend from prior-year profit	-	-	-	-	-	-	-	-
<b>31 Mar 2016</b>	<b>12 340</b>	<b>411 109</b>	-	<b>516</b>	-	<b>26 648</b>	-	<b>450 613</b>

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
<b>As at the beginning of period: 1 January 2015</b>	<b>15 180</b>	<b>551 988</b>	<b>2 526</b>	<b>3 341</b>	<b>63 268</b>	<b>(158 208)</b>	<b>16 865</b>	<b>494 961</b>
Change in accounting standards and policies	-	-	-	-	-	-	-	-
<b>As at the beginning of period: 1 January 2015, adjusted</b>	<b>15 180</b>	<b>551 988</b>	<b>2 526</b>	<b>3 341</b>	<b>63 268</b>	<b>(158 208)</b>	<b>16 865</b>	<b>494 961</b>
Comprehensive income for the three months ended 31 Mar 2015	-	-	-	-	-	-	2 351	2 351
Share issuance - incentive scheme	44	1 658	-	(1 702)	-	-	-	-
Share capital reduction as a result of share issue	-	-	-	-	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-
Dividend from prior-year profit	-	-	-	-	-	-	-	-
<b>31 Mar 2015</b>	<b>15 224</b>	<b>553 647</b>	<b>2 526</b>	<b>1 639</b>	<b>63 268</b>	<b>(158 208)</b>	<b>19 216</b>	<b>497 312</b>

## 8.5 Condensed separate statement of cash flows

Operating activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Profit (loss) for the period</b>	<b>1 207</b>	<b>2 351</b>
<b>Adjusted by:</b>	<b>(536)</b>	<b>(4 245)</b>
Depreciation / amortisation	413	517
Interest and shares of profit (dividends)	(207)	(1 184)
Income tax	299	449
Profit (loss) on investing activities	(57)	(397)
Change in provisions	97	(2)
Change in inventories	-	-
Change in receivables	171	(687)
Change in prepayments	(127)	(119)
Change in liabilities	(850)	(1 123)
Income tax paid	(275)	(1 699)
<b>Net cash from operating activities</b>	<b>671</b>	<b>(1 894)</b>

Investing activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Inflows</b>	<b>26 423</b>	<b>467 898</b>
Disposal of property, plant and equipment and intangible assets	1 107	12 398
Disposal of financial assets	25 316	455 500
Dividends received	-	-
Interest received	-	-
Repayment of loans issued	-	-
Other inflows	-	-
<b>Outflows</b>	<b>(14 676)</b>	<b>(467 110)</b>
Purchase of property, plant and equipment and intangible assets	(200)	(12 832)
Purchase of subsidiaries and associates	(504)	-
Purchase of financial assets	(13 972)	(454 278)
Borrowings granted	-	-
Expenditures on maintenance of investment properties	-	-
Other outflows	-	-
<b>Net cash from investing activities</b>	<b>11 747</b>	<b>788</b>

Financing activities	Three months ended 31 Mar 2016	Three months ended 31 Mar 2015
<b>Inflows</b>	-	-
Proceeds from credit facilities and loans	-	-
Issue of short-term debt instruments	-	-
Other inflows	-	-
<b>Outflows</b>	-	-
Repayment of borrowings	-	-
Buy-back of short-term debt instruments	-	-
Payment of finance lease liabilities	-	-
Interest and fees paid	-	-
Dividends paid	-	-
Purchase of own shares	-	-
Other outflows	-	-
<b>Net cash from financing activities</b>	-	-

<b>Change in cash and cash equivalents</b>	<b>12 418</b>	<b>(1 106)</b>
Exchange differences	-	-
<b>Cash and cash equivalents at the beginning of period</b>	<b>10 571</b>	<b>45 307</b>
<b>Cash and cash equivalents at the end of period</b>	<b>22 989</b>	<b>44 201</b>

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

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

Warsaw, May 2016

**Signatures of all Management Board members:**

2016-05-16    Dariusz Kalinowski    President of the Management Board

.....  
Signature

2016-05-16    Cezary Baran    Vice-President of the Management Board, Finance Director

.....  
Signature

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

2016-05-16    Elżbieta Świniarska    Economic Director

.....  
Signature