

# Emperia Holding



## CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2017

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

**WARSAW**

## Emperia Group means:

**Emperia**  
Holding

- *credibility and prioritising shareholder interests*



- *customer-centric culture*

- *growth and openness*

- *working together*



- *effectiveness*

**EKON**  
**elpro**  
Spółka  
komandytowo-akcyjna

- *reliability and engagement*

## Credibility and prioritising shareholder interests

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



## **Customer-centric culture**

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

## **Growth and openness**



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

## **Working together**



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

## ***Reliability and engagement***



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

## ***Effectiveness***



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

***Welcome!***

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## 1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2016 to 31 Mar 2017	For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2016 to 31 Mar 2017	For the period from 1 Jan 2016 to 31 Mar 2016
I.	Net revenue from sale of products, goods and materials	600 354	586 719	139 972	134 695
II.	Operating profit (loss)	7 413	9 305	1 728	2 136
III.	Profit (loss) before tax	7 318	9 449	1 706	2 169
IV.	Profit (loss) for the period	6 420	7 592	1 497	1 743
V.	Net cash flows from operating activities	(10 960)	3 769	(2 555)	865
VI.	Net cash flows from investing activities	5 798	(5 262)	1 352	(1 208)
VII.	Net cash flows from financing activities	(4 572)	(10 591)	(1 066)	(2 431)
VIII.	Total net cash flows	(9 734)	(12 084)	(2 269)	(2 774)
IX.	Total assets	1 056 014	1 062 813	250 252	240 238
X.	Liabilities and liability provisions	427 546	436 545	101 319	98 677
XI.	Non-current liabilities	18 577	20 034	4 402	4 528
XII.	Current liabilities	408 969	416 511	96 917	94 148
XIII.	Equity	628 468	626 268	148 933	141 561
XIV.	Share capital	12 342	12 342	2 925	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 954 988	12 190 031	11 954 988	12 190 031
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	4.13	3.05	0.96	0.70
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	4.13	3.05	0.96	0.70
XIX.	Book value per share* (in PLN/EUR)	52.57	51.82	12.46	11.71
XX.	Diluted book value per share** (in PLN/EUR)	52.57	51.82	12.46	11.71
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	-	-	-

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

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

Weighted average number of shares:

- for Q1 2017 (January-March): 11 954 988;

- for Q1 2016 (January-March): 12 190 031;

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

- 1 Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for Q1 2017 was EURPLN 4.2891 and for Q1 2016: EURPLN 4.3559.
- 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 2017: EURPLN 4.2198; as at 31 December 2016: EURPLN 4.4240.

## 2. Condensed consolidated statement of financial position

<b>Assets</b>	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
<b>Non-current assets</b>	<b>610 030</b>	<b>609 180</b>
Property, plant and equipment	386 666	386 866
Investment properties	122 532	123 441
Intangible assets	3 807	4 118
Goodwill	52 044	52 044
Financial assets	37	37
Non-current loans	263	263
Non-current receivables	5 432	5 532
Deferred income tax assets	20 565	18 053
Other non-current prepayments	18 684	18 826
<b>Current assets</b>	<b>445 984</b>	<b>453 633</b>
Inventories	231 792	217 962
Receivables	67 359	80 733
Income tax receivables	303	656
Prepayments	8 104	6 087
Cash and cash equivalents	136 698	146 432
Other financial assets	1 728	1 763
<b>Total assets</b>	<b>1 056 014</b>	<b>1 062 813</b>

<b>Equity and liabilities</b>	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
<b>Equity</b>	<b>628 468</b>	<b>626 268</b>
Share capital	12 342	12 342
Share premium	419 964	419 964
Supplementary capital	99 905	99 905
Reserve capital	72 766	72 766
Own shares	(27 540)	(23 320)
Retained earnings	51 031	44 611
<b>Total equity attributable to owners of the parent</b>	<b>628 468</b>	<b>626 268</b>
Non-controlling interests	-	-
<b>Total non-current liabilities</b>	<b>18 577</b>	<b>20 034</b>
Credit facilities, loans and debt instruments	296	600
Non-current liabilities	2 131	3 472
Provisions	9 425	10 474
Deferred income tax provision	6 725	5 488
<b>Total current liabilities</b>	<b>408 969</b>	<b>416 511</b>
Credit facilities, loans and debt instruments	1 122	1 122
Current liabilities	376 017	388 725
Income tax liabilities	225	613
Provisions	23 028	18 734
Deferred revenue	8 577	7 317
<b>Total equity and liabilities</b>	<b>1 056 014</b>	<b>1 062 813</b>

	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
Book value	628 468	626 268
Weighted average number of shares	11 954 988	12 086 113
Book value per share (in PLN)*	52.57	51.82

\* calculated using the weighted average 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 2017	Three months ended 31 Mar 2016
Revenue from sales	600 354	586 719
Cost of sales	(428 448)	(425 321)
<b>Profit on sales</b>	<b>171 906</b>	<b>161 398</b>
Other operating revenue	2 143	1 699
Selling costs	(149 430)	(137 801)
Administrative expenses	(15 210)	(13 532)
Other operating expenses	(1 995)	(2 459)
<b>Operating profit</b>	<b>7 413</b>	<b>9 305</b>
Finance income	215	350
Finance costs	(310)	(206)
<b>Profit before tax</b>	<b>7 318</b>	<b>9 449</b>
<b>Income tax</b>	<b>(898)</b>	<b>(1 857)</b>
- current	(2 173)	(2 280)
- deferred	1 275	423
<b>Profit for the period</b>	<b>6 420</b>	<b>7 592</b>
Profit for the period attributable to owners of the parent	6 420	7 592

<b>Annualised profit</b>	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Profit (loss) for the period (annualised), including:</b>	<b>49 380</b>	<b>37 137</b>
Weighted average number of ordinary shares	11 954 988	12 190 031
Weighted average diluted number of ordinary shares	11 954 988	12 191 166
Profit (loss) per ordinary share, annualised (in PLN)*	4.13	3.05
Diluted profit (loss) per ordinary share, annualised (in PLN)**	4.13	3.05

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

\*\* weighted average diluted number of ordinary shares:

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

- for Q1 2016: 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.

<b>Statement of comprehensive income</b>	<b>Three months ended 31 Mar 2017</b>	<b>Three months ended 31 Mar 2016</b>
<b>Profit for the period</b>	<b>6 420</b>	<b>7 592</b>
Other comprehensive income (not subject to reclassification to results):	-	-
- Revaluation of employee benefit liabilities	-	-
- Income tax on components of other comprehensive income	-	-
<b>Comprehensive income for the period</b>	<b>6 420</b>	<b>7 592</b>
Comprehensive income attributable to shareholders of the parent	6 420	7 592

## 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 2017</b>	<b>12 342</b>	<b>419 964</b>	<b>99 905</b>	-	<b>72 766</b>	<b>(23 320)</b>	<b>44 611</b>	<b>626 268</b>
<b>Comprehensive income for the three months ended 31 Mar 2017</b>	-	-	-	-	-	-	6 420	6 420
2016 profit distribution - transfer to equity	-	-	-	-	-	-	-	-
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	(4 220)	-	(4 220)
Redemption of own shares	-	-	-	-	-	-	-	-
<b>31 Mar 2017</b>	<b>12 342</b>	<b>419 964</b>	<b>99 905</b>	-	<b>72 766</b>	<b>(27 540)</b>	<b>51 031</b>	<b>628 468</b>

	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>
<b>Comprehensive income for the three months ended 31 Mar 2016</b>	-	-	-	-	-	-	7 592	7 592
Share issuance - incentive scheme	5	203	-	(208)	-	-	-	-
Purchase of own shares	-	-	-	-	-	(10 286)	-	(10 286)
Redemption of own shares	(900)	(51 743)	-	-	(337)	52 980	-	-
<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>

## 5. Condensed consolidated statement of cash flows

Operating activities	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Profit (loss) for the period</b>	<b>6 420</b>	<b>7 592</b>
<b>Adjusted by:</b>	<b>(17 380)</b>	<b>(3 823)</b>
Depreciation / amortisation	12 468	11 926
(Profit) loss on exchange differences	(39)	38
Interest and shares of profit (dividends)	83	(151)
Income tax	898	1 857
Profit (loss) on investing activities	193	79
Change in provisions	3 244	2 744
Change in inventories	(13 830)	(14 779)
Change in receivables	(1 170)	2 854
Change in prepayments	(633)	(3 744)
Change in liabilities	(16 386)	(2 738)
Income tax paid	(2 208)	(1 909)
<b>Net cash from operating activities</b>	<b>(10 960)</b>	<b>3 769</b>

Investing activities	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Inflows</b>	<b>14 988</b>	<b>14 617</b>
Disposal of property, plant and equipment and intangible assets	14 800	3 189
Disposal of financial assets	-	11 317
Interest received	24	36
Repayment of loans issued	164	75
<b>Outflows</b>	<b>(9 190)</b>	<b>(19 879)</b>
Purchase of property, plant and equipment and intangible assets	(9 060)	(19 819)
Borrowings granted	(130)	(60)
<b>Net cash from investing activities</b>	<b>5 798</b>	<b>(5 262)</b>

<b>Financing activities</b>	<b>Three months ended 31 Mar 2017</b>	<b>Three months ended 31 Mar 2016</b>
<b>Inflows</b>	-	-
<b>Outflows</b>	<b>(4 572)</b>	<b>(10 591)</b>
Payment of finance lease liabilities	(265)	(242)
Interest and fees paid	(87)	(63)
Purchase of own shares	(4 220)	(10 286)
<b>Net cash from financing activities</b>	<b>(4 572)</b>	<b>(10 591)</b>
<b>Change in cash and cash equivalents</b>	<b>(9 734)</b>	<b>(12 084)</b>
Exchange differences	-	-
<b>Cash and cash equivalents at the beginning of period</b>	<b>146 432</b>	<b>103 794</b>
<b>Cash and cash equivalents at the end of period</b>	<b>136 698</b>	<b>91 710</b>

## 6. Additional information

### 6.1 Description of Group structure

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

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

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

The property segment manages Emperia Group's property assets. The segment invests in facilities intended for retail operations - mini-galleries and shopping parks up to 2 000 sqm. The central management segment covers management functions, holding services and advisory within the Group.

The Parent, which uses the trading name Emperia Holding S.A., is registered under KRS no. 0000034566 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register.

The parent's registered office is located in Warsaw, ul. Puławska 2, building B, postal code 02-566 (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 have been established for an indefinite period of time.

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

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

#### **Information on consolidation**

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

As at 31 March 2017, consolidation included Emperia Holding S.A. and 8 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., Elpro Development S.A., Eldorado Sp. z o.o., P5 EKON Sp. z o.o. S.K.A.

During Q1 2017, Emperia Group's structure was not subject to changes (compared with the 2016 year-end).

Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
ELPRO 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%
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%
Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	KRS no. 509157, District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
EKON Sp. z o.o. (3)	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%
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%
P5 EKON Sp. z o.o. S.K.A. (4)	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 through Elpro Development S.A. (80 825 shares), EKON Sp. z o.o. (contribution)
- (2) indirectly through Elpro Development S.A. (138 427 shares), EKON Sp. z o.o. (contribution)
- (3) indirectly through Elpro Development S.A.
- (4) indirectly through Elpro Development S.A. (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 2017**

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

(1) indirectly 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

These 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 Group are prepared in accordance with International Financial Reporting Standards (IFRS) 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 Emperia Group:

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

The chief decision maker to make decisions about resources to be allocated and assess segment performance is the Management Board of Emperia Holding. 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. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.

**2. Property** (property segment), covering Emperia Group's property 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., Elpro Development S.A. and the property segment carved out of Emperia Holding S.A. The property segment generates revenue from renting its properties.

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

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

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

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

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

#### **6.2.4 Functional currency**

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

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

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 2017 is the same as that used by the Group in preparing the consolidated financial statements for 2016.

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

## **6.2.7 Changes in adopted accounting principles**

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

## **6.2.8 Application of standards and interpretations effective from 1 January 2017**

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

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

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

## **6.2.9 Accounting estimates**

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

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

## **6.2.10 Correction of errors**

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

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

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

No such events took place during the period covered by these consolidated financial statements.

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

##### **a) Merger of Emperia Group companies**

On 28 February 2017, the Extraordinary General Meeting of Elpro Development S.A. adopted a resolution on the merger of the Company and the following Acquired Companies: Elpro Ekon Sp. z o.o. S.K.A., P3 Ekon Sp. z o.o. S.K.A., P5 Ekon Sp. z o.o. S.K.A. and Ekon Sp. z o.o.. Due to the fact that the Company and the Acquired Companies belong to the same group and that the consolidation of these companies will have positive impact on their financial situation and will improve management efficiency whilst reducing management expenses, the Extraordinary General Meeting decided to merge the Company with the Acquired Companies pursuant to art. 492 par. 1 point 1 of the Polish Commercial Companies Code, i.e. by transfer of all assets of the Acquired Companies to the Company - merger by acquisition. The Companies' merger took place on 3 April 2017.

## 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 2017	Q1 2016	%
Revenue from sales	600 354	586 719	2.3%
Profit (loss) on sales	171 906	161 398	6.5%
EBITDA	19 881	21 231	-6.4%
Operating profit (loss)	7 413	9 305	-20.3%
Profit (loss) before tax	7 318	9 449	-22.6%
Profit for the period	6 420	7 592	-15.4%

Revenue from sale in the first quarter of 2017 reached PLN 600 354 000, up 2.3% from Q1 2016. This was mainly driven by growth in retail-segment revenue.

For the first quarter of 2017, profit was PLN 6 420 000, compared with PLN 7 592 000 in the same period last year, denoting 15.4% decline.

The profit was heavily affected by a holiday shift and a lower number of working days in the first quarter of 2017 as well as wage increases for basic employees at stores and warehouses starting from 1 January 2017.

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

- in Q1 2017, the retail segment incurred one-off costs connected with store closures of PLN 244 000, and PLN 751 000 in Q1 2016,
- in Q1 2017, the retail segment incurred one-off costs connected with new store openings of PLN 280 000, versus PLN 1 782 000 in Q1 2016,
- in Q1 2017, the retail segment received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 105 000.

## Changes in key balance sheet items

Item	Q1 2017	Q1 2016	%
Total assets	1 056 014	1 013 590	4.2%
Non-current assets	610 030	633 314	-3.7%
Current assets	445 984	380 276	17,3%
Cash and cash equivalents	136 698	91 710	49,1%
Liabilities and liability provisions	427 546	421 380	1.5%
Total current liabilities	408 969	397 894	2.8%
Net assets	628 468	592 210	6.1%
Share capital (in PLN)	12 342 027	12 340 049	-
Current-period earnings per share, annualised* (in PLN)	4.13	3.05	35.4%

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

## Operational performance and ability to meet liabilities

Item	Q1 2017	Q1 2016
Return on invested capital <i>(profit for the period / equity at the end of the period) in %</i>	1.02%	1.28%
Return on assets <i>(profit for the period / assets at the end of the period) in %</i>	0.61%	0.75%
Sales margin <i>(profit from sales for the period / revenue from sales for the period) in %</i>	28.63%	27.51%
EBITDA margin <i>(EBITDA / revenue from sales for the period) in %</i>	3.31%	3.62%
Operating margin <i>(operating profit for the period / revenue from sales for the period) in %</i>	1.23%	1.59%
Gross margin <i>(profit before tax for the period / revenue from sales for the period) in %</i>	1.22%	1.61%
Net margin <i>(profit for the period / revenue from sales for the period) in %</i>	1.07%	1.29%

## Turnover cycles for key components of working capital

Item	Q1 2017	Q1 2016
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*90)</i>	49.5	46.1
Receivables turnover days <i>(current receivables / revenue from sales*90)</i>	10.1	10.0
Payables turnover days <i>(current liabilities - current borrowings) / value of goods for resale and materials sold*90)</i>	87.1	85.5
Asset productivity <i>(revenue from sales / total assets)</i>	0.57	0.58
Non-current asset productivity <i>(revenue from sales / non-current assets)</i>	0.98	0.93

In Q1 2017, inventory turnover increased by 3.4 days, while receivables turnover increased by 0.1 days and payables turnover extended by 1.6 days. In effect, cash conversion cycle was shortened by 1.9 days. Asset productivity ratios did not change significantly.



## Retail segment

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

	Q1 2017	Q1 2016	%
Segment revenue	590 377	574 597	2.75%
Profit on sales	169 105	156 901	7.78%
EBITDA	9 857	9 238	6.70%
Operating result	306	239	28.03%
Gross profit	(212)	(91)	-
<b>Net segment result</b>	<b>1 016</b>	<b>(443)</b>	-

Retail-segment revenue in Q1 2017 was PLN 590 377 000, up 2.75% from Q1 2016. The revenue growth largely resulted from a higher number of retail locations opened in 2017 (11 new stores opened in Q1 2017: 7 own stores and 4 franchise stores). The segment recorded revenue growth despite Easter being moved in 2017 and a February that was one day shorter in 2017.

The retail segment's net profit came to PLN 1 016 000 in Q1 2017, compared with a net loss of PLN 443 000 in Q1 2016.

One-off events having substantial impact on the segment's Q1 2017 and Q1 2016 results:

- in Q1 2017, the retail segment incurred one-off costs connected with store closures of PLN 244 000, and PLN 751 000 in Q1 2016,
- in Q1 2017, the retail segment incurred one-off costs connected with new store openings of PLN 280 000, versus PLN 1 782 000 in Q1 2016,
- in Q1 2017, the retail segment received funding from the State Fund for the Rehabilitation of the Disabled (PFRON) for previous reporting periods (2013 and 2014), amounting to PLN 2 105 000.

### Stokrotka retail chain

	Q1 2017	Q1 2016
<b>Number of stores at the beginning of period</b>	<b>372</b>	<b>327</b>
- stores opened	11	17
- stores shut-down	3	4
<b>Number of stores at the end of period, including:</b>	<b>380</b>	<b>340</b>
- own supermarkets	250	243
- own markets	83	67
- franchise stores	47	30
Average total store surface - stores opened (in sqm)	386	453
Capex on own stores opened	3 581	10 961

In 2017, the segment continued to dynamically grow its retail chain. As at the end of Q1 2017, the Stokrotka retail segment comprised 380 retail stores, vs. 340 at the end of Q1 2016. In Q1 2017, a total of 11 stores were opened (including 4 franchise locations), and 3 were closed down. In Q1 2016, a total of 17 stores were opened (including 2 franchise locations), and 4 were closed down.

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

	Q1 2017	Q1 2016
Revenue from product sales	519.0	539.7
Store operating costs	125.6	121.3
<i>Operating costs as % of revenue</i>	24.2%	22.5%
EBITDA	24.1	26.4
<i>% EBITDA</i>	4.6%	4.9%

*Data - 290 Stokrotka stores operating at the end of 2015*

In the first quarter of 2017, the retail segment's revenue declined by 3.8% on a like for like basis. The decline was mainly caused by Easter shift and a February shorter by one day in 2017.

The growth in operating costs in Q1 2017 was mainly caused by pay increases for basic store and warehouse employees from 1 January 2017.



## Stokrotka headquarters

	Q1 2017	Q1 2016
central management costs as % of revenue from sales	2.3%	2.1%
marketing costs as % of revenue from sales	0.9%	0.9%

## Cash conversion cycle in the retail segment

	Q1 2017	Q1 2016
Inventory turnover days <i>(inventory / value of goods for resale and materials sold*365)</i>	49.3	46.4
Receivables turnover days <i>(trade receivables / revenue from sales*365)</i>	7.0	5.9
Payables turnover days <i>(trade payables / value of goods for resale and materials sold*365)</i>	69.8	69.9
Cash conversion cycle <i>(difference between inventory turnover cycle and receivables collection cycle vs. payables turnover cycle)</i>	-13.5	-17.6

The cash conversion cycle in the retail segment decreased by 4.1 days in Q1 2017, resulting from an increase in inventory turnover by 2.9 days, decrease in payables turnover by 0.1 days and increase in receivables turnover by 1.1 days.



## Property segment

The property segment covers Emperia Group's property assets, including the following companies: Elpro Development S.A., 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., and the property segment carved out of Emperia Holding S.A.

	Q1 2017	Q1 2016	%
Segment revenue	17 543	17 659	-0.66%
EBITDA	10 292	10 186	1.04%
Operating result	7 408	7 212	2.72%
Gross profit	8 015	7 564	5.96%
Tax	(2 269)	(1 239)	-
<b>Net segment result</b>	<b>5 746</b>	<b>6 325</b>	<b>-9.15%</b>

The property segment generated PLN 17 543 000 in revenue from sales in Q1 2017, down 0.66% from the first quarter last year.

The segment's net profit for Q1 2017 was PLN 5 746 000, down 9.15% from the comparative period. The decline in profit was caused by tax (current and deferred) settled in Q1 2017 by Elpro Development S.A., amounting to PLN 1 002 000, after this company completed the settlement of its tax loss from previous years in 2016.

## Key information about properties

	Q1 2017	Q1 2016
<b>Number of properties at the end of period</b>	87	91
including: properties in progress	6	5
operating properties	81	86
including: retail properties	76	80
other properties	5	6
<b>average monthly net operating income from leasable facilities*</b>	<b>3 428</b>	<b>3 584</b>
including: retail properties	3 154	3 280
<b>leasable area of retail facilities (sqm)</b>	<b>82 852</b>	<b>87 620</b>
including: related tenants	53 356	55 844
other tenants	29 496	31 776
<b>average lease rate (PLN per sqm)</b>	<b>42.7</b>	<b>42.3</b>
including: related tenants	44.2	43.5
other tenants	40.0	40.1

\* 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

**infinite**  
IT Solutions



## IT segment

The IT segment covers the activities of Infinite Sp. z o.o. - an IT services provider.

	Q1 2017	Q1 2016	%
Segment revenue	8 534	10 223	-16.52%
EBITDA	358	2 242	-84.03%
Operating result	12	1 968	-99.39%
Gross profit	(87)	1 997	-
<b>Net segment result</b>	<b>(88)</b>	<b>1 599</b>	-

	Q1 2017	Q1 2016	%
Revenue from sale of services	6 788	8 418	-19.36%
<i>including: external</i>	4 506	6 232	-27.70%
Revenue from sale of goods and materials	1 746	1 805	-3.27%
<i>including: external</i>	56	299	-81.27%
Total revenue	8 534	10 223	-16.52%
<i>including: external</i>	4 562	6 531	-30.15%

IT-segment revenue from sales in Q1 2017 went down by 16.52% from the same period last year, to PLN 8 534 000. In the first quarter of 2017, the segment generated a net loss of PLN 88 000, compared to a net profit of PLN 1 599 000 in the first quarter of 2016.

In Q1 2017, segment revenue to external customers constituted 53.46% of total revenue from sales, while in Q1 2016 it accounted for 63.89%.

In Q1 2017, segment revenue from sale of services to external customers constituted 66.38% of total service revenue, while in Q1 2016 it accounted for 74.03%.

## Central management segment

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

	Q1 2017	Q1 2016	%
Segment revenue	266	223	19.28%
EBITDA	(756)	(584)	-
Operating result	(849)	(678)	-
Gross profit	(935)	(585)	-
<b>Net segment result</b>	<b>(763)</b>	<b>(426)</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.

## 7.2 Restatement of comparative data

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

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

Summary of changes introduced to comparative data:

- a) Change in the presentation of the Group's revenue from the sale of marketing services, calculated based on a percentage of the value of goods sold that constitute rebates received from suppliers - previously the value of this revenue, amounting to PLN 18 745 000, was presented as revenue from the sale of services. Following the change, in order to reliably reflect the economic content of transactions, the value of this revenue decreases the cost of goods sold.
- b) Change in the presentation of marketing costs - previously a part of marketing costs related to advertising for the entire store chain was presented by the Group as administrative expenses. Following the change, these costs, amounting to PLN 5 064 000, are presented in selling costs.
- c) Change in the presentation of reimbursements from the State Fund for the Rehabilitation of the Disabled (PFRON) of costs for the disabled - previously these were presented as other operating revenue. After the change, PLN 457 000 in reimbursements was presented as adjustment of selling costs.

#### Restatement of the statement of comprehensive income for 2016

		Three months ended 31 March 2016 (reported)	Presentation change	Three months ended 31 March 2016 (restated data)
Revenue from sales	a)	605 464	(18 745)	586 719
Value of goods and materials sold	a)	(444 066)	18 745	(425 321)
Other operating revenue	c)	2 156	(457)	1 699
Selling costs	b, c)	(133 194)	(4 607)	(137 801)
Administrative expenses	b)	(18 596)	5 064	(13 532)

### 7.3 Revenue and profit by operating segment

In 2017, the Group operated through the following segments:

- 1 **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.
- 2 **Property** (property segment), covering Emperia Group's property 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., Elpro Development S.A. and the property segment carved out of Emperia Holding S.A. The property segment generates revenue from renting its properties.
- 3 **Central Management** (central management segment), covering management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., Eldorado Sp. z o.o.;

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 are presented in the "exclusions" column in the segment results information below.

**Emperia Group's operating segments in Q1 2017:**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	590 377	17 543	266	8 534	16 366	600 354
External revenue	590 369	5 421	2	4 562	-	600 354
Inter-segment revenue	8	12 122	264	3 972	16 366	-
Total segment costs	(590 043)	(10 275)	(1 187)	(8 496)	(16 912)	(593 089)
<b>Profit (loss) on sales</b>	<b>334</b>	<b>7 268</b>	<b>(921)</b>	<b>38</b>	<b>(546)</b>	<b>7 265</b>
Result on other operating activities	(28)	140	72	(26)	10	148
Result on financing activities	(518)	607	(86)	(99)	(1)	(95)
<b>Gross result</b>	<b>(212)</b>	<b>8 015</b>	<b>(935)</b>	<b>(87)</b>	<b>(537)</b>	<b>7 318</b>
Tax	1 228	(2 269)	172	(1)	28	(898)
<b>Net segment result</b>	<b>1 016</b>	<b>5 746</b>	<b>(763)</b>	<b>(88)</b>	<b>(509)</b>	<b>6 420</b>

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	573 334	1 262 649	437 179	23 190	1 240 338	1 056 014
Goodwill	39 200	12 844	-	-	-	52 044

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(8 089)	(831)	-	(173)	(33)	(9 060)
Depreciation / amortisation	(9 551)	(2 884)	(93)	(346)	(405)	(12 468)

**Emperia Group's operating segments in Q1 2016:**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	574 597	17 659	223	10 223	15 982	586 719
External revenue	574 594	5 593	2	6 531	-	586 719
Inter-segment revenue	3	12 066	221	3 692	15 982	--
Total segment costs	(573 992)	(10 031)	(955)	(8 266)	(16 590)	(576 654)
<b>Profit (loss) on sales</b>	<b>605</b>	<b>7 628</b>	<b>(732)</b>	<b>1 957</b>	<b>(607)</b>	<b>10 065</b>
Result on other operating activities	(366)	(416)	54	11	43	(760)
Result on financing activities	(330)	352	93	29	-	144
<b>Gross result</b>	<b>(91)</b>	<b>7 564</b>	<b>(585)</b>	<b>1 997</b>	<b>(564)</b>	<b>9 449</b>
Tax	(352)	(1 239)	159	(398)	27	(1 857)
<b>Net segment result</b>	<b>(443)</b>	<b>6 325</b>	<b>(426)</b>	<b>1 599</b>	<b>(537)</b>	<b>7 592</b>

	<b>Retail</b>	<b>Property</b>	<b>Central management</b>	<b>IT</b>	<b>Consolidation exclusions</b>	<b>Total</b>
Segment assets / liabilities	525 207	1 256 359	454 302	25 175	1 247 454	1 013 589
Goodwill	39 200	12 844	-	-	-	52 044

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

## 7.4 Effects of changes in group structure

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

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

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

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

Shareholders	Shares held, as at 31 March 2017	% in share capital	% change	Shares held, as at the date on which the previous periodic report was published	% stake, as at the date on which the previous periodic report was published	Votes at 31 March 2017	% of votes at general meeting at 31 Mar 2017
Ipopema TFI	1 454 003	11.78%	-0.31%	1 458 583	11.82%	1 454 003	12.20%
Altus TFI	1 409 678	11.42%	-14.28%	1 644 493	13.32%	1 409 678	11.83%
AXA OFE	999 036	8.09%	2.21%	977 481	7.92%	999 036	8.39%
Aviva OFE	794 000	6.43%	-4.91%	834 991	6.77%	794 000	6.66%
NN OFE	1 000 000	8.10%	32.33%	755 713	6.12%	1 000 000	8.39%
MetLife OFE	632 417	5.12%	-	632 417	5.12%	632 417	5.31%

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

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

Management Board members	Shares held, as at 31 March 2017	% in share capital	% change	Shares at 31 December 2016	% in share capital as at 31 Dec 2016
Dariusz Kalinowski	26 094	0.211%	-	26 094	0.211%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 31 March 2017	% in share capital	% change	Shares at 31 December 2016	% in share capital as at 31 Dec 2016
Jarosław Wawerski	19 494	0.158%	-	19 494	0.158%

## 7.8 Information regarding on-going proceedings

### Tax probe by Treasury Control Office

On 31 January 2017, Emperia Holding S.A. received from a law firm representing it in the case a decision by the Head of the Tax Control Office in Lublin issued in an inspection proceeding concerning the accuracy of declared tax basis and the correctness of CIT calculations and payments for 2011.

In the Decision, the Head of the Tax Control Office in Warsaw established the Company's tax liability regarding corporate income tax for 2011 at PLN 142 463 805. Under art. 53 and 55 of the Tax Ordinance, the Company is also obligated to calculate and pay late interest on the liability, which at the date on which this decision was received amounted to PLN 52 372 037.

### Factual status:

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

### Charges made by the Tax Control Office:

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

### Company's position:

- The decision by the Tax Control Office is in clear violation of tax law but also civil and corporate law. The Tax Control Office incorrectly equates the illusiveness of legal activities with formulating the transaction in a manner that does not bring the expected tax proceedings;



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

The Company does not agree with these findings and the legal assessment carried out by the Head of the Tax Control Office in the Decision, further it does not see grounds for recognising a provision for the amounts of tax arrears indicated in the Decision.

The Decision, issued by a first instance body, is not final and enforceable. On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.

The Management Board does not expect this tax issue to negatively impact Emperia Group's development plans.

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

## 7.9 Significant related-party transactions

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

All inter-group mergers in Q1 2017 are presented in point 6.2.11.

## 7.10 Credit facilities, loans, sureties and guarantees

In Q1 2017, 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 7.15.7.

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

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

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

No property disposals took place in Q1 2017 and Q1 2016. Other one-off events and their impact on the results of the reporting and comparative period are described in note 7.1.

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

### **External:**

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

### **Internal:**

- a) Business process optimisation (improved operating performance and higher management quality in all segments),
- b) Streamlined structure of the property segment,
- c) Internal cost control policy,
- d) Improvement in retail efficiency, particularly: productivity and costs, logistics and product losses, price policy, loyalty programmes,
- e) Growth dynamic of the Stokrotka retail chain
- f) Stronger motivation for store employees through higher wages

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

### Management Board



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

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



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

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

In Q1 2017, the composition of the Management Board of Emperia Holding S.A. did not change.

### Supervisory Board

#### **Artur Kawa – Chairman**

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

#### **Jarosław Wawerski – Member**

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

#### **Artur Laskowski – Member**

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

#### **Aleksander Widera – Member**

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

#### **Michał Kowalczewski – Independent Member**

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

The composition of Emperia Holding S.A.'s Supervisory Board did not change during Q1 2017.

## 7.15 Other significant information and events

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

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

### 7.15.2 Production seasonality and cyclicity

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

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

The event is described in point 7.12.

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

Employee benefit provisions	Change in Q1 2017	Change in 2016
<b>Non-current</b>		
As at the beginning of period	1 454	994
<i>Increases / decreases during the period</i>	-	460
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>1 454</b>	<b>1 454</b>

<b>Current</b>		
As at the beginning of period	10 550	9 412
<i>Increases / decreases during the period</i>	2 060	1 138
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>12 610</b>	<b>10 550</b>

	<b>Change in Q1 2017</b>	<b>Change in 2016</b>
<b>Other provisions</b>		
<b>Non-current</b>		
As at the beginning of period	9 020	13 606
<i>Increases / decreases during the period</i>	(1 049)	(4 586)
<i>Increases / decreases during the period as a result of acquisitions</i>	-	-
<b>As at the end of period</b>	<b>7 971</b>	<b>9 020</b>

<b>Current</b>		
As at the beginning of period	8 184	9 214
<i>Increases / decreases during the period</i>	2 234	(1 030)
<i>Increases / decreases during the period as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>10 418</b>	<b>8 184</b>

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

No such changes took place at Emperia Group in Q1 2017.

### 7.15.6 Paid and received dividends

The parent, Emperia Holding S.A., did not pay out a dividend in Q1 2017.

#### Management Board and Supervisory Board recommendation regarding the 2016 dividend

As of the date on which these financial statements were prepared, the Management Board of Emperia Holding S.A. had not adopted a resolution on a recommendation on the allocation of the 2016 profit.

### 7.15.7 Changes in off-balance sheet liabilities

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

Changes in off-balance sheet liabilities during Q1 2017	Credit facilities	Bank guarantees	Security interests
<b>Mortgages</b>			
As at the beginning of period	30 000	-	-
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	-
<b>As at the end of period</b>	<b>30 000</b>	<b>-</b>	<b>-</b>
<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>	-	-	-
<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	-	25 000	9 325
<i>Increases during the period</i>	-	-	-
<i>Decreases during the period</i>	-	-	(6 350)
<b>As at the end of period</b>	<b>-</b>	<b>25 000</b>	<b>2 975</b>

Changes in off-balance sheet liabilities during 2016	Credit facilities	Bank guarantees	Security interests
<b>Mortgages</b>			
As at the beginning of period	-	-	-
<i>Increases during the period</i>	30 000	-	-
<i>Decreases during the period</i>	-	-	-
<b>As at the end of period</b>	<b>30 000</b>	<b>-</b>	<b>-</b>
<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>	-	-	-
<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>	-	-	6 850
<i>Decreases during the period</i>	-	(22 500)	(7 171)
<b>As at the end of period</b>	<b>-</b>	<b>25 000</b>	<b>9 325</b>

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

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

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

### Impairment of receivables

<b>As at the beginning of period</b>	<b>(9 065)</b>	<b>(10 742)</b>
<i>Recognition</i>	(190)	(1 552)
<i>Reversal</i>	1 552	1 458
<i>Changes as a result of acquisitions / disposals</i>	-	-
<i>Derecognised from statement of profit and loss*</i>	123	1 771
<b>As at the end of period</b>	<b>(7 580)</b>	<b>(9 065)</b>

### Impairment of inventories

<b>As at the beginning of period</b>	<b>(19 015)</b>	<b>(19 784)</b>
<i>Recognition</i>	(7 943)	(18 935)
<i>Reversal</i>	197	19 704
<i>Changes as a result of acquisitions / disposals</i>	-	-
<b>As at the end of period</b>	<b>(26 761)</b>	<b>(19 015)</b>

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

### 7.15.9 Recognition / reversal of cost restructuring provisions

Did not occur during the reporting period or comparative period.

### 7.15.10 Deferred income tax

Deferred income tax assets	Change in Q1 2017	Change in 2016
As at the beginning of period	18 053	22 009
<i>Increase</i>	2 658	2 552
<i>Decrease</i>	(146)	(6 508)
<b>As at the end of period</b>	<b>20 565</b>	<b>18 053</b>

Deferred income tax provision	Change in Q1 2017	Change in 2016
As at the beginning of period	5 488	4 497
<i>Recognition</i>	1 263	2 662
<i>Reversal</i>	(26)	(1 671)
<b>As at the end of period</b>	<b>6 725</b>	<b>5 488</b>

### 7.15.11 Financial and operating leasing

#### a) Finance lease liabilities

Finance lease liabilities	31 Mar 2017	
	Minimum payments	Present value of minimum payments
<i>Within 1 year</i>	1 203	1 121
<i>Within 1 to 5 years</i>	301	296
<i>Within more than 5 years</i>	-	-
<b>Total</b>	<b>1 504</b>	<b>1 418</b>

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



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

Q1 2017	Term of agreement	As at 31 Mar 2017	As at 31 Mar 2018 Minimum annual payment	1 to 5 years	Over 5 years
Property	specified	25 514	102 625	410 925	511 628
	unspecified	618	3 024	12 098	15 122
Technical equipment and machinery	specified	28	28	1	-
	unspecified	42	156	623	778
Means of transport	specified	2 038	8 248	1 772	-
	unspecified	-	-	-	-

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

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

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

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

Did not take place in Q1 2017.

**7.15.13 Correction of prior-period errors**

Did not take place in Q1 2017.

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

Did not take place in Q1 2017.

## 7.16 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. Group companies are particularly focused on ecology and environmental protection in their activities.



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.

## 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.



### Scholarship programme

Infinite Sp. z o.o. has launched a scholarship programme addressed to the students of the Lublin University of Technology and UMCS in Lublin majoring in IT or related studies. As part of the programme, students get an opportunity to develop their passions and receive employment guarantees once they graduate.



### Open Days

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



### Internship and Job Fair

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



### Facebook profile for students

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



### Employee Rewards

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



### Sponsorship

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



### Running team

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



### Stokrotka Passions

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

## 7.17 Other significant events during the reporting period

### a) Change of statutory auditor for 2016 and appointment of statutory auditor for 2017

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that in connection with an ongoing process of reviewing strategic options to support further development of Emperia Group's business, the Supervisory Board had adopted a resolution on the change of statutory auditor for the Company for 2016 and the appointment of a statutory auditor for 2017.

In connection with the above, the Supervisory Board on 19 January 2017 adopted a resolution appointing PricewaterhouseCoopers Sp. z o.o., based in Warsaw, Al. Armii Ludowej 14, to audit the separate and consolidated financial statements of Emperia Holding S.A. for 2016 as well as review and audit the Company's separate and consolidated financial statements for 2017. PricewaterhouseCoopers Sp. z o.o. is an entity authorised to audit financial statements, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 144. The Company did not previously use the services of this statutory auditor as regards audit and review of financial statements.

The Supervisory Board also approved amicable termination of an agreement of 8 June 2016 concerning review and audit of the Company's separate and consolidated financial statements for 2016 with UHY ECA Audyt Sp. z o.o. Sp.k., based in Kraków, ul. Moniuszki 50, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 3115.

### b) Receipt of decision under inspection proceedings led by head of Tax Control Office in Lublin

The event is described in point 7.7.

### c) Completion of a buy-back programme at Emperia Holding S.A. 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 2017 purchased, in block transactions, 60 246 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 428 237 shares in the Issuer, entitling to 428 237 (3.470%) votes at the Issuer's general meeting and constituting 3.470% of the Issuer's share capital.

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

### a) Extraordinary General Meeting of Emperia Holding S.A.

An Extraordinary General Meeting of Emperia Holding S.A. was held on 20 April 2017. The subject of the EGM was a resolution on amendment of the Company's articles of association concerning an authorisation for the Management Board for a share capital increase under target capital, with the option to exclude the existing shareholders' pre-emptive rights, with the Supervisory Board's consent.

### b) Credit and guarantee agreements

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

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

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

**c) Launch of process to bring in an investor to support further dynamic growth of Emperia Holding S.A.**

In reference to information regarding the start of a strategic options review, the Management Board of Emperia Holding S.A. on 9 May 2017, having obtained permission from the Company's Supervisory Board, decided to launch a process intended to bring in an investor to support the Company's further dynamic development. The Management Board plans to hold talks with a variety of entities potentially interested in such an investment as well as to allow selected entities to conduct due diligence at the Company and its subsidiaries.

Having analysed possible growth scenarios and perspectives for the Company, the Management Board is certain that this decision is in the interest of both the Company and its shareholders and will considerably contribute to building the Company's value.

The aim of the Management Board is to ensure that all of the Company's shareholders have the option to sell their shares in a tender offer announced by the investor on equal terms.

The Issuer has engaged Rothschild Global Advisory as its exclusive financial adviser in the Company's search for an investor.



## 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 2017	For the period from 1 Jan 2016 to 31 Mar 2016	For the period from 1 Jan 2016 to 31 Mar 2017	For the period from 1 Jan 2016 to 31 Mar 2016
I.	Net revenue from sale of products, goods and materials	3 888	3 852	906	884
II.	Operating profit (loss)	960	1 269	224	291
III.	Profit (loss) before tax	887	1 506	207	346
IV.	Profit (loss) for the period	708	1 207	165	277
V.	Net cash flows from operating activities	1 576	671	367	154
VI.	Net cash flows from investing activities	(32)	11 747	(7)	2 697
VII.	Net cash flows from financing activities	(123)	-	(29)	-
VIII.	Total net cash flows	1 421	12 418	331	2 851
IX.	Total assets	492 129	491 531	116 624	111 106
X.	Liabilities and liability provisions	23 962	24 072	5 678	5 441
XI.	Total non-current liabilities	864	816	205	184
XII.	Total current liabilities	23 098	23 256	5 474	5 257
XIII.	Equity	468 167	467 459	110 945	105 664
XIV.	Share capital	12 342	12 342	2 925	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	11 954 988	12 190 031	11 954 988	12 190 031
XVII.	Profit (loss) per ordinary share, annualised* (in PLN/EUR)	1.47	1.99	0.34	0.46
XVIII.	Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR)	1.47	1.99	0.34	0.46
XIX.	Book value per share* (in PLN/EUR)	39.16	38.68	9.28	8.74
XX.	Diluted book value per share** (in PLN/EUR)	39.16	38.68	9.28	8.74
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	-	-	-

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

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

Weighted average number of shares:

- for Q1 2017 (January-March): 11 954 988;

- for Q1 2016 (January-March): 12 190 031;

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

- Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for Q1 2017 was EURPLN 4.2891 and for Q1 2016: EURPLN 4.3559.
- 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 2017: EURPLN 4.2198; as at 31 December 2016: EURPLN 4.4240.

## 8.2 Condensed separate statement of financial position

	31 Mar 2017	31 Dec 2016
<b>Total non-current assets</b>	<b>482 767</b>	<b>483 182</b>
Property, plant and equipment	740	662
Investment properties	54 488	54 916
Intangible assets	1 075	1 156
Financial assets	426 286	426 286
Deferred income tax assets	175	159
Other non-current prepayments	3	3
<b>Total current assets</b>	<b>9 362</b>	<b>8 349</b>
Current receivables	2 457	2 953
Current prepayments	194	106
Cash and cash equivalents	6 711	5 290
<b>Total assets</b>	<b>492 129</b>	<b>491 531</b>
<b>Total equity</b>	<b>468 167</b>	<b>467 459</b>
Share capital	12 342	12 342
Share premium	411 670	411 670
Reserve capital	25 442	25 442
Retained earnings	18 713	18 005
<b>Total non-current liabilities</b>	<b>864</b>	<b>816</b>
Non-current liabilities	113	112
Provisions	49	49
Deferred income tax provision	702	655
<b>Total current liabilities</b>	<b>23 098</b>	<b>23 256</b>
Credit facilities, loans, debt instruments and other current financial liabilities	19 979	19 959
Current liabilities	1 251	1 356
Income tax liabilities	7	63
Provisions	653	611
Deferred revenue	1 208	1 267
<b>Total equity and liabilities</b>	<b>492 129</b>	<b>491 531</b>
<b>Book value</b>	<b>468 167</b>	<b>467 459</b>
Weighted average number of shares	11 954 988	12 086 113
Book value per share (in PLN)*	39.16	38.68

\* calculated using the weighted average 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 2017	Three months ended 31 Mar 2016
Revenue from sales	3 888	3 852
Cost of sales	(1 976)	(1 784)
<b>Profit on sales</b>	<b>1 912</b>	<b>2 068</b>
Other operating revenue	73	75
Selling costs	-	-
Administrative expenses	(1 024)	(869)
Other operating expenses	(1)	(5)
<b>Operating profit</b>	<b>960</b>	<b>1 269</b>
Finance income	71	237
Finance costs	(144)	0
<b>Profit before tax</b>	<b>887</b>	<b>1 506</b>
Income tax	(179)	(299)
- current	(148)	(370)
- deferred	(31)	71
<b>Profit for the period</b>	<b>708</b>	<b>1 207</b>
Profit for the period attributable to owners of the parent	708	1 207

	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Profit (loss) for the period (annualised)</b>	<b>17 515</b>	<b>24 300</b>
Weighted average number of ordinary shares	11 954 988	12 190 031
Weighted average diluted number of ordinary shares	11 954 988	12 191 166
Profit (loss) per ordinary share, annualised (in PLN)*	1.47	1.99
Diluted profit (loss) per ordinary share, annualised (in PLN)**	1.47	1.99

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

\*\* weighted average diluted number of ordinary shares:

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

- for Q1 2016: 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.

<b>Statement of comprehensive income</b>	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Profit for the period</b>	<b>708</b>	<b>1 207</b>
Other comprehensive income	-	-
<b>Comprehensive income for the period</b>	<b>708</b>	<b>1 207</b>

## 8.4 Condensed separate statement of changes in equity

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
<b>1 Jan 2017</b>	<b>12 342</b>	<b>411 670</b>	-	<b>25 442</b>	<b>18 005</b>	-	<b>467 459</b>
Comprehensive income for the three months ended 31 Mar 2017	-	-	-	-	708	-	708
<b>31 Mar 2017</b>	<b>12 342</b>	<b>411 670</b>	-	<b>25 442</b>	<b>18 713</b>	-	<b>468 167</b>

	Share capital	Share premium	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
<b>1 Jan 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>
Comprehensive income for the three months ended 31 Mar 2016	-	-	-	-	1 207	-	1 207
Share issuance - incentive scheme	5	203	(208)	-	-	-	-
Redemption of own shares	(900)	(54 410)	-	(337)	-	55 646	-
<b>31 Mar 2016</b>	<b>12 340</b>	<b>411 109</b>	<b>516</b>	-	<b>26 648</b>	-	<b>450 613</b>

## 8.5 Condensed separate statement of cash flows

Operating activities	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Profit (loss) for the period</b>	<b>708</b>	<b>1 207</b>
<b>Adjusted by:</b>	<b>868</b>	<b>(536)</b>
Depreciation / amortisation	491	413
Interest and shares of profit (dividends)	143	(207)
Income tax	179	299
Profit (loss) on investing activities	(32)	(57)
Change in provisions	42	97
Change in receivables	496	171
Change in prepayments	(148)	(127)
Change in liabilities	(99)	(850)
Income tax paid	(204)	(275)
<b>Net cash from operating activities</b>	<b>1 576</b>	<b>671</b>

Investing activities	Three months ended 31 Mar 2017	Three months ended 31 Mar 2016
<b>Inflows</b>	<b>33</b>	<b>26 423</b>
Disposal of property, plant and equipment and intangible assets	33	1 107
Disposal of financial assets	-	25 316
<b>Outflows</b>	<b>(65)</b>	<b>(14 676)</b>
Purchase of property, plant and equipment and intangible assets	(65)	(200)
Purchase of subsidiaries and associates	-	(504)
Purchase of financial assets	-	(13 972)
<b>Net cash from investing activities</b>	<b>(32)</b>	<b>11 747</b>

<b>Financing activities</b>	<b>Three months ended 31 Mar 2017</b>	<b>Three months ended 31 Mar 2016</b>
<b>Inflows</b>	<b>39 878</b>	-
Issue of short-term debt instruments	39 878	-
<b>Outflows</b>	<b>(40 001)</b>	-
Buy-back of short-term debt instruments	(40 000)	-
Interest and fees paid	(1)	-
<b>Net cash from financing activities</b>	<b>(123)</b>	-
<b>Change in cash and cash equivalents</b>	<b>1 421</b>	<b>12 418</b>
Exchange differences	-	-
<b>Cash and cash equivalents at the beginning of period</b>	<b>5 290</b>	<b>10 571</b>
<b>Cash and cash equivalents at the end of period</b>	<b>6 711</b>	<b>22 989</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 separate financial statements are the same as those used in preparing Emperia Group's consolidated financial statements. Details are presented in point 6.2.

**Warsaw, 15 May 2017**

**Signatures of all Management Board members:**

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

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

Elżbieta Świniarska	Economic Director	..... Signature
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