

# Emperia Holding



## CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2018

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

**WARSAW**

## Emperia Group means:



- *credibility and prioritising shareholder interests*

- *customer-centric culture*

- *growth and openness*

- *working together*

- *effectiveness*

- *reliability and engagement*

## Credibility and prioritising shareholder interests

- Emperia, **winner of multiple awards and leading Polish retailer**, has been an active player on Poland's retail market for the past 25 years
- Our aim is to **create value** for shareholders
- Emperia is a **financially stable company that** has been **listed on the Warsaw Stock Exchange** for 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<br>(current year)                           | PLN                                                       |                                                           | EUR                                                       |                                                           |
|--------|---------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|        |                                                                     | For the<br>period from<br>1 Jan 2018<br>to 31 Mar<br>2018 | For the<br>period from<br>1 Jan 2017<br>to 31 Mar<br>2017 | For the<br>period from<br>1 Jan 2018<br>to 31 Mar<br>2018 | For the<br>period from<br>1 Jan 2016<br>to 31 Mar<br>2017 |
| I.     | Net revenue from sale of products, goods and materials              | 695 591                                                   | 600 354                                                   | 166 473                                                   | 139 972                                                   |
| II.    | Operating profit (loss)                                             | 14 596                                                    | 7 413                                                     | 3 493                                                     | 1 728                                                     |
| III.   | Profit (loss) before tax                                            | 14 081                                                    | 7 318                                                     | 3 370                                                     | 1 706                                                     |
| IV.    | Profit (loss) for the period                                        | 13 642                                                    | 6 420                                                     | 3 265                                                     | 1 497                                                     |
| V.     | Net cash flows from operating activities                            | 19 687                                                    | (10 960)                                                  | 4 712                                                     | (2 555)                                                   |
| VI.    | Net cash flows from investing activities                            | (23 891)                                                  | 5 798                                                     | (5 718)                                                   | 1 352                                                     |
| VII.   | Net cash flows from financing activities                            | (392)                                                     | (4 572)                                                   | (94)                                                      | (1 066)                                                   |
| VIII.  | Total net cash flows                                                | (4 596)                                                   | (9 734)                                                   | (1 100)                                                   | (2 269)                                                   |
| IX.    | Total assets                                                        | 1 127 777                                                 | 1 143 655                                                 | 267 976                                                   | 274 199                                                   |
| X.     | Liabilities and liability provisions                                | 462 712                                                   | 492 230                                                   | 109 947                                                   | 118 015                                                   |
| XI.    | Non-current liabilities                                             | 13 095                                                    | 16 347                                                    | 3 112                                                     | 3 919                                                     |
| XII.   | Current liabilities                                                 | 449 617                                                   | 475 883                                                   | 106 835                                                   | 114 096                                                   |
| XIII.  | Equity                                                              | 665 065                                                   | 651 425                                                   | 158 029                                                   | 156 183                                                   |
| XIV.   | Share capital                                                       | 12 342                                                    | 12 342                                                    | 2 933                                                     | 2 959                                                     |
| XV.    | Number of shares                                                    | 12 342 027                                                | 12 342 027                                                | 12 342 027                                                | 12 342 027                                                |
| XVI.   | Weighted average number of shares                                   | 11 913 790                                                | 11 954 681                                                | 11 913 790                                                | 11 954 681                                                |
| XVII.  | Profit (loss) per ordinary share, annualised* (in PLN/EUR)          | 3.53                                                      | 4.14                                                      | 0.84                                                      | 0.97                                                      |
| XVIII. | Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR) | 3.53                                                      | 4.14                                                      | 0.84                                                      | 0.97                                                      |
| XIX.   | Book value per share* (in PLN/EUR)                                  | 55.82                                                     | 54.63                                                     | 13.26                                                     | 13.10                                                     |
| XX.    | Diluted book value per share** (in PLN/EUR)                         | 55.82                                                     | 54.63                                                     | 13.26                                                     | 13.10                                                     |
| XXI.   | Declared or paid out dividend per share<br>(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 2018 (January-March): 11 913 790;

- for Q1 2017 (January-March): 11 954 681;

### 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 2018 was EURPLN 4.1784 Q1 2017 was EURPLN 4.2891.
- 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 2018: EURPLN 4.2085; as at 31 December 2017: EURPLN 4.1709.

## 2. Condensed consolidated statement of financial position

| Assets                        | 31 Mar 2018      | 31 Dec 2017      | 31 Mar 2017      |
|-------------------------------|------------------|------------------|------------------|
| <b>Non-current assets</b>     | <b>632 864</b>   | <b>634 828</b>   | <b>610 030</b>   |
| Property, plant and equipment | 409 152          | 412 182          | 386 666          |
| Investment properties         | 119 590          | 120 512          | 122 532          |
| Intangible assets             | 3 745            | 3 802            | 3 807            |
| Goodwill                      | 39 200           | 39 200           | 52 044           |
| Financial assets              | 37               | 37               | 37               |
| Non-current loans             | 200              | 213              | 263              |
| Non-current receivables       | 9 387            | 8 499            | 5 432            |
| Deferred income tax assets    | 32 215           | 30 714           | 20 565           |
| Other non-current prepayments | 19 338           | 19 669           | 18 684           |
| <b>Current assets</b>         | <b>494 913</b>   | <b>508 827</b>   | <b>445 984</b>   |
| Inventories                   | 225 772          | 233 759          | 231 792          |
| Receivables                   | 66 889           | 69 235           | 67 359           |
| Income tax receivables        | 1 040            | 1 420            | 303              |
| Prepayments                   | 9 273            | 8 037            | 8 104            |
| Cash and cash equivalents     | 190 773          | 195 364          | 136 698          |
| Other financial assets        | 1 166            | 1 012            | 1 728            |
| <b>Total assets</b>           | <b>1 127 777</b> | <b>1 143 655</b> | <b>1 056 014</b> |



| Equity and liabilities                                   | 31 Mar 2018      | 31 Dec 2017      | 31 Mar 2017      |
|----------------------------------------------------------|------------------|------------------|------------------|
| <b>Equity</b>                                            | <b>665 065</b>   | <b>651 425</b>   | <b>628 468</b>   |
| Share capital                                            | 12 342           | 12 342           | 12 342           |
| Share premium                                            | 419 964          | 419 964          | 419 964          |
| Supplementary capital                                    | 99 905           | 99 905           | 99 905           |
| Reserve capital                                          | 90 771           | 90 771           | 72 766           |
| Own shares                                               | (27 540)         | (27 540)         | (27 540)         |
| Retained earnings                                        | 69 623           | 55 983           | 51 031           |
| <b>Total equity attributable to owners of the parent</b> | <b>665 065</b>   | <b>651 425</b>   | <b>628 468</b>   |
| Non-controlling interests                                | -                | -                | -                |
| <b>Total non-current liabilities</b>                     | <b>13 095</b>    | <b>16 347</b>    | <b>18 577</b>    |
| Credit facilities, loans and debt instruments            | -                | -                | 296              |
| Non-current liabilities                                  | 1 959            | 1 956            | 2 131            |
| Provisions                                               | 3 791            | 6 759            | 9 425            |
| Deferred income tax provision                            | 7 345            | 7 632            | 6 725            |
| <b>Total current liabilities</b>                         | <b>449 617</b>   | <b>475 883</b>   | <b>408 969</b>   |
| Credit facilities, loans and debt instruments            | 296              | 746              | 1 122            |
| Current liabilities                                      | 415 786          | 450 788          | 376 017          |
| Income tax liabilities                                   | 374              | 550              | 225              |
| Provisions                                               | 25 527           | 19 989           | 23 028           |
| Deferred revenue                                         | 7 634            | 3 810            | 8 577            |
| <b>Total equity and liabilities</b>                      | <b>1 127 777</b> | <b>1 143 655</b> | <b>1 056 014</b> |

|                                         | 31 Mar 2018 | 31 Dec 2017 | 31 Mar 2017 |
|-----------------------------------------|-------------|-------------|-------------|
| Book value                              | 665 065     | 651 425     | 628 468     |
| Number of shares                        | 12 342 027  | 12 342 027  | 12 342 027  |
| Weighted average number of shares       | 11 913 790  | 11 923 985  | 11 954 988  |
| Diluted number of shares                | 11 913 790  | 11 923 985  | 11 954 988  |
| Book value per share (in PLN)           | 53.89       | 52.78       | 50.92       |
| Book value per share (in PLN)*          | 55.82       | 54.63       | 52.57       |
| Diluted book value per share (in PLN)** | 55.82       | 54.63       | 52.57       |

\* 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<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Revenue from sales                                         | 695 591                              | 600 354                              |
| Cost of sales                                              | (498 784)                            | (428 448)                            |
| <b>Profit on sales</b>                                     | <b>196 807</b>                       | <b>171 906</b>                       |
| Other operating revenue                                    | 1 852                                | 2 143                                |
| Selling costs                                              | (164 110)                            | (149 430)                            |
| Administrative expenses                                    | (17 643)                             | (15 210)                             |
| Other operating expenses                                   | (2 310)                              | (1 995)                              |
| <b>Operating profit</b>                                    | <b>14 596</b>                        | <b>7 413</b>                         |
| Finance income                                             | 843                                  | 215                                  |
| Finance costs                                              | (1 358)                              | (310)                                |
| <b>Profit before tax</b>                                   | <b>14 081</b>                        | <b>7 318</b>                         |
| <b>Income tax</b>                                          | <b>(439)</b>                         | <b>(898)</b>                         |
| - current                                                  | (2 227)                              | (2 173)                              |
| - deferred                                                 | 1 788                                | 1 275                                |
| <b>Profit for the period</b>                               | <b>13 642</b>                        | <b>6 420</b>                         |
| Profit for the period attributable to owners of the parent | 13 642                               | 6 420                                |

| <b>Annualised profit</b>                                        | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit (loss) for the period (annualised), including:</b>    | <b>42 085</b>                        | <b>49 380</b>                        |
| Weighted average number of ordinary shares                      | 11 913 790                           | 11 954 681                           |
| Weighted average diluted number of ordinary shares              | 11 913 790                           | 11 954 681                           |
| Profit (loss) per ordinary share, annualised (in PLN)*          | 3.53                                 | 4.14                                 |
| Diluted profit (loss) per ordinary share, annualised (in PLN)** | 3.53                                 | 4.14                                 |

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

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

- for Q1 2017 and 2018: the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 were fully settled

| Statement of comprehensive income                                        | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|--------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit for the period</b>                                             | <b>13 642</b>                        | <b>6 420</b>                         |
| Other comprehensive income (not subject to reclassification to results): | (2)                                  | -                                    |
| - Revaluation of employee benefit liabilities                            | -                                    | -                                    |
| - Income tax on components of other comprehensive income                 | -                                    | -                                    |
| - Cash flow hedges                                                       | (2)                                  | -                                    |
| <b>Comprehensive income for the period</b>                               | <b>13 640</b>                        | <b>6 420</b>                         |
| Comprehensive income attributable to shareholders of the parent          | 13 640                               | 6 420                                |

## 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 2018</b>                                                  | <b>12 342</b> | <b>419 964</b> | <b>99 905</b>         | <b>-</b>                     | <b>90 771</b>   | <b>(27 540)</b> | <b>55 983</b>     | <b>651 425</b> |
| <b>Comprehensive income for the three months ended 31 Mar 2018</b> | -             | -              | -                     | -                            | -               | -               | 13 640            | 13 640         |
| 2017 profit distribution - transfer to equity                      | -             | -              | -                     | -                            | -               | -               | -                 | -              |
| Share issuance - incentive scheme                                  | -             | -              | -                     | -                            | -               | -               | -                 | -              |
| Purchase of own shares                                             | -             | -              | -                     | -                            | -               | -               | -                 | -              |
| <b>31 Mar 2018</b>                                                 | <b>12 342</b> | <b>419 964</b> | <b>99 905</b>         | <b>-</b>                     | <b>90 771</b>   | <b>(27 540)</b> | <b>69 623</b>     | <b>665 065</b> |

|                                                                 | 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>-</b>                     | <b>72 766</b>   | <b>(23 320)</b> | <b>44 611</b>     | <b>626 268</b> |
| Prior-period adjustments                                        | -             | -              | -                     | -                            | -               | -               | (5 411)           | (5 411)        |
| <b>1 Jan 2017, adjusted</b>                                     | <b>12 342</b> | <b>419 964</b> | <b>99 905</b>         | <b>-</b>                     | <b>72 766</b>   | <b>(23 320)</b> | <b>39 200</b>     | <b>620 857</b> |
| <b>Comprehensive income for the 12 months ended 31 Dec 2017</b> | -             | -              | -                     | -                            | -               | -               | 34 788            | 34 788         |
| 2016 profit distribution - transfer to equity                   | -             | -              | -                     | -                            | 18 005          | -               | (18 005)          | -              |
| Share issuance - incentive scheme                               | -             | -              | -                     | -                            | -               | -               | -                 | -              |
| Purchase of own shares                                          | -             | -              | -                     | -                            | -               | (4 220)         | -                 | (4 220)        |
| Redemption of own shares                                        | -             | -              | -                     | -                            | -               | -               | -                 | -              |
| <b>31 Dec 2017</b>                                              | <b>12 342</b> | <b>419 964</b> | <b>99 905</b>         | <b>-</b>                     | <b>90 771</b>   | <b>(27 540)</b> | <b>55 983</b>     | <b>651 425</b> |

|                                                                    | 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>-</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>-</b>                     | <b>72 766</b>   | <b>(27 540)</b> | <b>51 031</b>     | <b>628 468</b> |

## 5. Condensed consolidated statement of cash flows

| Operating activities                                            | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit (loss) for the period</b>                             | <b>13 642</b>                        | <b>6 420</b>                         |
| <b>Adjusted by:</b>                                             | <b>6 045</b>                         | <b>(17 380)</b>                      |
| Depreciation / amortisation                                     | 13 232                               | 12 468                               |
| (Profit) loss on exchange differences                           | (156)                                | (39)                                 |
| Interest and shares of profit (dividends)                       | 41                                   | 83                                   |
| Income tax                                                      | 439                                  | 898                                  |
| Profit (loss) on investing activities                           | 14                                   | 193                                  |
| Change in provisions                                            | 2 570                                | 3 244                                |
| Change in inventories                                           | 7 986                                | (13 830)                             |
| Change in receivables                                           | 2 333                                | (1 170)                              |
| Change in prepayments                                           | 2 913                                | (633)                                |
| Change in liabilities                                           | (21 304)                             | (16 386)                             |
| Income tax paid                                                 | (2 024)                              | (2 208)                              |
| <b>Net cash from operating activities</b>                       | <b>19 687</b>                        | <b>(10 960)</b>                      |
|                                                                 |                                      |                                      |
| Investing activities                                            | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
| <b>Inflows</b>                                                  | <b>2 317</b>                         | <b>14 988</b>                        |
| Disposal of property, plant and equipment and intangible assets | 2 120                                | 14 800                               |
| Disposal of financial assets                                    | -                                    | -                                    |
| Interest received                                               | 61                                   | 24                                   |
| Repayment of loans issued                                       | 136                                  | 164                                  |
| <b>Outflows</b>                                                 | <b>(26 208)</b>                      | <b>(9 190)</b>                       |
| Purchase of property, plant and equipment and intangible assets | (25 590)                             | (9 060)                              |
| Borrowings granted                                              | (615)                                | (130)                                |
| Other outflows                                                  | (3)                                  | -                                    |
| <b>Net cash from investing activities</b>                       | <b>(23 891)</b>                      | <b>5 798</b>                         |

| <b>Financing activities</b>                                 | <b>Three months<br/>ended<br/>31 Mar 2018</b> | <b>Three months<br/>ended<br/>31 Mar 2017</b> |
|-------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Inflows</b>                                              | -                                             | -                                             |
| <b>Outflows</b>                                             | <b>(392)</b>                                  | <b>(4 572)</b>                                |
| Payment of finance lease liabilities                        | (290)                                         | (265)                                         |
| Interest and fees paid                                      | (101)                                         | (87)                                          |
| Purchase of own shares                                      | -                                             | (4 220)                                       |
| Other outflows                                              | (1)                                           | -                                             |
| <b>Net cash from financing activities</b>                   | <b>(392)</b>                                  | <b>(4 572)</b>                                |
| <br><b>Change in cash and cash equivalents</b>              | <br><b>(4 596)</b>                            | <br><b>(9 734)</b>                            |
| Exchange differences                                        | 5                                             | -                                             |
| <b>Cash and cash equivalents at the beginning of period</b> | <b>195 364</b>                                | <b>146 432</b>                                |
| <b>Cash and cash equivalents at the end of period</b>       | <b>190 773</b>                                | <b>136 698</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. and Infinite IT Solutions SRL, which develop IT solutions for industries such as FMCG, automotive, heavy industry, logistics, SHE and DIY.

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

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

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

The parent's registered office is located in Warsaw, ul. Puławska 2, building B, postal code 02-566.

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

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

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

These consolidated financial statements are prepared for the period from 1 January 2018 to 31 March 2018, and the comparative financial data covers the period from 1 January 2017 to 31 March 2017.

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 2018, consolidation included Emperia Holding S.A. and 5 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Development S.A., Eldorado Spółka z o.o. and Infinite IT Solutions SRL

During Q1 2018, Emperia Group's structure was not subject to changes (compared with the 2017 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 Development S.A.        | 02-566 Warsaw, ul. Puławska 2B                                                       | Renting and operating of own or leased real estate            | KRS no. 509157, District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register | Subsidiary      | Full                   | 2010-09-06                                                      | 100.00%                 | 100.00%                                               |
| Eldorado Sp. z o.o.           | 20-209 Lublin, ul. Projektowa 1                                                      | Activities of head offices; management consultancy activities | 400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register                | Subsidiary      | Full                   | 03-10-2011                                                      | 100.00%                 | 100.00%                                               |
| Infinite IT Solutions SRL (1) | SOS. BUCARESTI - PLOIESTI NR. 9-13, ZONA I, ET. 5, SECTOR 1, 13693 BUCHAREST ROMANIA | IT operations                                                 | Court Trade Register Office in Bucharest, register no. J40/153324/05.09.2017.                                                    | Subsidiary      | Full                   | 05-09-2017                                                      | 100.00%                 | 100.00%                                               |

(1) indirectly through Infinite Sp. z o.o. (1 089 shares) and Eldorado Sp. z o.o. (11 shares)

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

(1) indirectly through Elpro Development S.A.

## 6.2 Description of key accounting principles

### 6.2.1 Basis for preparing consolidated financial statements

The consolidated financial statements were prepared under the historical cost convention, except for financial assets measured at fair value. Emperia Holding S.A.'s Management Board approved these consolidated financial statements on the date on which they were signed.

### 6.2.2 Statement of compliance

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

### 6.2.3 Segment reporting

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

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

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

1. **Retail** (retail segment), covering all operations of the following subsidiary: Stokrotka Sp. z o.o. and revenue from commercial intermediary contracts, together with statistically settled costs tied to this revenue, transferred from the central management segment (from Emperia Holding S.A.). The retail segment generates revenue from the retail sales of FMCG products at Stokrotka stores.
2. **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Spółka z ograniczoną odpowiedzialnością S.K.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 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. and Infinite IT Solutions SRL - IT services providers.

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 2018 is the same as that used by the Group in preparing the consolidated financial statements for 2017.

A detailed description of the accounting policy is presented in the consolidated financial statements for 2017 (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 2018**

The interim consolidated financial statements and interim separate financial statements for the first quarter of 2018 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 2018, 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 2017 (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**

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 2018 | Q1 2017 | %      |
|--------------------------|---------|---------|--------|
| Revenue from sales       | 695 591 | 600 354 | 15.9%  |
| Profit (loss) on sales   | 196 807 | 171 906 | 14.5%  |
| EBITDA                   | 27 828  | 19 881  | 40.0%  |
| Operating profit (loss)  | 14 596  | 7 413   | 96.9%  |
| Profit (loss) before tax | 14 081  | 7 318   | 92.4%  |
| Profit for the period    | 13 642  | 6 420   | 112.5% |

Revenue from sales in the first quarter of 2018 reached PLN 695 591 000, up 15.86% from Q1 2017. This was mainly driven by growth in retail-segment revenue.

For the first quarter of 2018, profit was PLN 13 642 000, compared with PLN 6 420 000 in the same period last year, denoting 112.5% growth.

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

- in Q1 2018, 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 2 245 000, compared to PLN 2 105 000 in Q1 2017.
- in Q1 2018, the Company incurred PLN 40 000 in costs related to a tax proceeding and PLN 1 138 000 in finance costs related to this proceeding, while in Q1 2017 costs related to the tax proceeding amounted to PLN 216 000.

#### Changes in key balance sheet items

| Item                                                    | Q1 2018    | Q1 2017    | %     |
|---------------------------------------------------------|------------|------------|-------|
| Total assets                                            | 1 127 777  | 1 056 014  | 6.8%  |
| Non-current assets                                      | 632 864    | 610 030    | 3.7%  |
| Current assets                                          | 494 913    | 445 984    | 11.0% |
| Cash and cash equivalents                               | 190 773    | 136 698    | 39.6% |
| Liabilities and liability provisions                    | 462 712    | 427 546    | 8.2%  |
| Total current liabilities                               | 449 617    | 408 969    | 9.9%  |
| Net assets                                              | 665 065    | 628 468    | 5.8%  |
| Share capital (in PLN)                                  | 12 342 027 | 12 342 027 | -     |
| Current-period earnings per share, annualised* (in PLN) | 3.53       | 4.14       | 14.7% |

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

## Operational performance and ability to meet liabilities

| Item                                                                                                  | Q1 2018 | Q1 2017 |
|-------------------------------------------------------------------------------------------------------|---------|---------|
| Return on invested capital<br><i>(profit for the period / equity at the end of the period) in %</i>   | 2.05%   | 1.02%   |
| Return on assets<br><i>(profit for the period / assets at the end of the period) in %</i>             | 1.21%   | 0.61%   |
| Sales margin<br><i>(profit from sales for the period / revenue from sales for the period) in %</i>    | 28.29%  | 28.63%  |
| EBITDA margin<br><i>(EBITDA / revenue from sales for the period) in %</i>                             | 4.00%   | 3.31%   |
| Operating margin<br><i>(operating profit for the period / revenue from sales for the period) in %</i> | 2.10%   | 1.23%   |
| Gross margin<br><i>(profit before tax for the period / revenue from sales for the period) in %</i>    | 2.02%   | 1.22%   |
| Net margin<br><i>(profit for the period / revenue from sales for the period) in %</i>                 | 1.96%   | 1.07%   |

## Turnover cycles for key components of working capital

| Item                                                                                                                            | Q1 2018 | Q1 2017 |
|---------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Inventory turnover days<br><i>(inventory / value of goods for resale and materials sold*90)</i>                                 | 41.4    | 49.5    |
| Receivables turnover days<br><i>(current receivables / revenue from sales*90)</i>                                               | 8.7     | 10.1    |
| Payables turnover days<br><i>[(current liabilities - current borrowings) / value of goods for resale and materials sold*90]</i> | 82.4    | 87.1    |
| Asset productivity<br><i>(revenue from sales / total assets)</i>                                                                | 0.62    | 0.57    |
| Non-current asset productivity<br><i>(revenue from sales / non-current assets)</i>                                              | 1.10    | 0.98    |

In Q1 2018, inventory turnover ratio decreased by 8.1 days, receivables turnover by 1.4 days, and payables turnover by 4.7 days. In effect, cash conversion cycle was extended by 4.8 days. Asset productivity ratios improved modestly.





## 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           | 681 618      | 590 377      | 15.45%         |
| Profit on sales           | 193 792      | 169 105      | 14.60%         |
| EBITDA                    | 17 263       | 9 857        | 75.13%         |
| Operating result          | 7 015        | 306          | 2 192.48%      |
| Gross profit              | 7 011        | (212)        | -              |
| <b>Net segment result</b> | <b>8 170</b> | <b>1 016</b> | <b>704.13%</b> |

Retail-segment revenue in Q1 2018 was PLN 681 618 000, up 15.46% from Q1 2017. The revenue growth largely resulted from a higher number of retail locations opened in 2018 (13 new stores opened in Q1 2018: 9 own stores and 4 franchise stores).

The retail segment's net profit came to PLN 8 170 000 in Q1 2018, compared with net profit of PLN 1 016 000 in Q1 2017, denoting growth of 704.13%.

One-off items having impact on the segment's results in Q1 2018 and 2017 include funding received from the State Fund for the Rehabilitation of the Disabled (PFRON): in Q1 2018 the segment received funding from PFRON for previous reporting periods (2012, 2013 and 2014) amounting to PLN 2 245 000, compared to PLN 2 105 000 in Q1 2017 (for 2013 and 2014).

## Stokrotka retail chain

|                                                          | Q1 2018    | Q1 2017    |
|----------------------------------------------------------|------------|------------|
| <b>Number of stores at the beginning of period</b>       | <b>437</b> | <b>372</b> |
| - stores opened                                          | 13         | 11         |
| - stores shut-down                                       | 10         | 3          |
| <b>Number of stores at the end of period, including:</b> | <b>440</b> | <b>380</b> |
| - own supermarkets                                       | 254        | 250        |
| - own markets                                            | 106        | 83         |
| - Express markets                                        | 9          | 0          |
| - franchise stores                                       | 71         | 47         |
| Average total store surface - stores opened (in sqm)     | 344        | 386        |
| Capex on own stores opened                               | 5 495      | 3 581      |

In 2018, the segment maintained a high growth rate in its retail chain. As at the end of Q1 2018, the Stokrotka retail segment comprised 440 retail stores, vs. 380 at the end of Q1 2017. In Q1 2018, a total of 13 stores were opened (including 4 franchise locations), and 10 were shut down. In Q1 2017, a total of 11 stores were opened (including 4 franchise locations), and 4 were closed down.



## Property segment

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

|                           | Q1 2018      | Q1 2017      | %             |
|---------------------------|--------------|--------------|---------------|
| Segment revenue           | 18 178       | 17 543       | 3.62%         |
| EBITDA                    | 10 253       | 10 292       | -0.38%        |
| Operating result          | 7 293        | 7 408        | -1.55%        |
| Gross profit              | 8 108        | 8 015        | 1.16%         |
| Tax                       | (1 569)      | (2 269)      | -             |
| <b>Net segment result</b> | <b>6 539</b> | <b>5 746</b> | <b>13.80%</b> |

The property segment generated PLN 18 178 000 in revenue from sales in Q1 2018, up 3.62% from the first quarter last year.

The segment's net profit for Q1 2018 was PLN 6 539 000, up 13.80% from the comparative period. This result was largely impacted by deferred tax that Elpro Development S.A. began settling in 2017 (after settling a tax loss from previous years).

### Key information about properties

|                                                  | Q1 2018   | Q1 2017   |
|--------------------------------------------------|-----------|-----------|
| <b>Number of properties at the end of period</b> | <b>94</b> | <b>87</b> |
| including: properties in progress                | 9         | 6         |
| operating properties                             | 85        | 81        |
| including: retail properties                     | 80        | 76        |
| including: retail - Stokrotka                    | 70        | 66        |
| retail - others                                  | 10        | 10        |
| other properties                                 | 5         | 5         |
| including: warehouses                            | 4         | 4         |
| offices                                          | 1         | 1         |

In Q1 2018, the segment purchased 3 land properties.



### IT segment

The IT segment covers the operations of Infinite Sp. z o.o. and Infinite IT Solutions SRL - IT services providers.

|                           | Q1 2018    | Q1 2017     | %         |
|---------------------------|------------|-------------|-----------|
| Segment revenue           | 11 931     | 8 534       | 39.81%    |
| EBITDA                    | 847        | 358         | 136.59%   |
| Operating result          | 455        | 12          | 3 691.67% |
| Gross profit              | 621        | (87)        | -         |
| <b>Net segment result</b> | <b>483</b> | <b>(88)</b> | -         |

|                                          | Q1 2018 | Q1 2017 | %         |
|------------------------------------------|---------|---------|-----------|
| Revenue from sale of services            | 7 530   | 6 788   | 10.93%    |
| <i>including: external</i>               | 4 898   | 4 505   | 8.72%     |
| Revenue from sale of goods and materials | 4 401   | 1 746   | 152.06%   |
| <i>including: external</i>               | 3 166   | 57      | 5 454.39% |
| Total revenue                            | 11 931  | 8 534   | 39.81%    |
| <i>including: external</i>               | 8 064   | 4 562   | 76.76%    |

IT-segment revenue from sales in Q1 2018 went up by 39.81% from the same period last year, to PLN 11 931 000. In the first quarter of 2018, the segment generated a net profit of PLN 483 000, compared to a net loss of PLN 88 000 in the first quarter of 2017.

In Q1 2018, segment revenue to external customers constituted 67.59% of total revenue from sales, while in Q1 2017 it accounted for 63.46%.

In Q1 2018, segment revenue from sale of services to external customers constituted 65.05% of total service revenue, while in Q1 2017 it accounted for 66.37%.

## 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 2018        | Q1 2017      | %      |
|---------------------------|----------------|--------------|--------|
| Segment revenue           | 293            | 266          | 10.15% |
| EBITDA                    | (530)          | (756)        | -      |
| Operating result          | (586)          | (849)        | -      |
| Gross profit              | (2 077)        | (935)        | -      |
| <b>Net segment result</b> | <b>(1 901)</b> | <b>(763)</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.

One-off items that had a significant impact on the segment's results in both of the reporting periods: in Q1 2018, the Company incurred PLN 40 000 in costs related to a tax proceeding and PLN 1 138 000 in finance costs related to this proceeding, while in Q1 2017 costs related to the tax proceeding amounted to PLN 216 000.

## 7.2 Restatement of comparative data

No restatement of comparative data took place in Q1 2018.

### 7.3 Revenue and profit by operating segment

In 2018, 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 Spółka z ograniczoną odpowiedzialnością S.K.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. and Infinite IT Solutions SRL - IT services providers.

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 2018:

|                                      | Retail       | Property     | Central management | IT         | Consolidation exclusions | Total         |
|--------------------------------------|--------------|--------------|--------------------|------------|--------------------------|---------------|
| Segment revenue                      | 681 618      | 18 178       | 293                | 11 931     | 16 429                   | 695 591       |
| External revenue                     | 681 590      | 5 612        | 64                 | 8 326      | -                        | 695 591       |
| Inter-segment revenue                | 28           | 12 566       | 229                | 3 605      | 16 428                   | -             |
| Total segment costs                  | (674 057)    | (11 174)     | (972)              | (11 250)   | (16 916)                 | (680 537)     |
| <b>Profit (loss) on sales</b>        | <b>7 561</b> | <b>7 004</b> | <b>(679)</b>       | <b>681</b> | <b>(487)</b>             | <b>15 054</b> |
| Result on other operating activities | (546)        | 289          | 93                 | (226)      | 68                       | (458)         |
| Finance income                       | 535          | 901          | 108                | 175        | 876                      | 843           |
| Finance costs                        | (539)        | (86)         | (1 599)            | (8)        | (874)                    | (1 358)       |
| <b>Gross result</b>                  | <b>7 011</b> | <b>8 108</b> | <b>(2 077)</b>     | <b>622</b> | <b>(417)</b>             | <b>14 081</b> |
| Tax                                  | 1 159        | (1 569)      | 176                | (138)      | 67                       | (439)         |
| <b>Net segment result</b>            | <b>8 170</b> | <b>6 539</b> | <b>(1 901)</b>     | <b>484</b> | <b>(350)</b>             | <b>13 642</b> |

|                              | Retail  | Property | Central management | IT     | Consolidation exclusions | Total     |
|------------------------------|---------|----------|--------------------|--------|--------------------------|-----------|
| Segment assets / liabilities | 632 587 | 587 392  | 474 497            | 21 762 | 588 461                  | 1 127 777 |
| Goodwill                     | 39 200  | -        | -                  | -      | -                        | 39 200    |

|                             | Retail   | Property | Central management | IT    | Consolidation exclusions | Total    |
|-----------------------------|----------|----------|--------------------|-------|--------------------------|----------|
| Capital expenditures        | (19 925) | (5 612)  | -                  | (255) | (202)                    | (25 590) |
| Depreciation / amortisation | (10 248) | (2 960)  | (56)               | (392) | (424)                    | (13 232) |

#### 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          |
| Finance income                       | 60           | 1 229        | 57                 | 42          | 1 173                    | 215          |
| Finance costs                        | (578)        | (621)        | (143)              | (141)       | (1 172)                  | (311)        |
| <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) |

## 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 2018.

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

| Shareholders      | Shares held, as at report publication date | % in share capital | % change | Shares held, as at the date on which the previous periodic report was published | % stake, as at the date on which the previous periodic report was published | Number of votes at general meeting, as at report publication date | % of votes at general meeting at report publication date |
|-------------------|--------------------------------------------|--------------------|----------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| MAXIMA GRUPĚ, UAB | 11 559 259                                 | 93.66%             | -        | -                                                                               | -                                                                           | 93.66%                                                            | 97.02%                                                   |

As at 31 March 2018, 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.

Detailed information on Emperia Holding S.A.'s shareholding structure is presented in note 7.16 b) and 7.17. b).

## 7.7 Shareholding by members of Issuer's Management Board and Supervisory Board

At the date on which these financial statements were published, members of the Management Board and Supervisory Board did not hold any shares of the Issuer.

Detailed information on Emperia Holding S.A.'s shares held by members of its Management Board and Supervisory Board is presented in note 7.16 c) and 7.17. a).

## 7.8 Information regarding on-going proceedings

### Tax probe by Treasury Control Office

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



**Factual status:**

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

**Charges made by the Tax Control Office:**

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

**Company's position:**

- The decision by the Tax Control Office is in clear violation of tax law but also civil and corporate law. The Tax Control Office incorrectly equates the illusiveness of legal activities with formulating the transaction in a manner that does not bring the expected tax proceedings;
- The Extraordinary General Meeting resolution on the mandatory share cancellation may not be considered to be illusive because illusiveness does not apply to one-sided legal activities that are not addressed to anyone in particular;
- There is no legal basis whatsoever for concluding that this matter involves a voluntary cancellation of P1's shares. This form of cancellation requires a share purchase agreement to be executed between the shareholder and the company in order for the company to cancel the shares. No such agreement was executed - which precludes concluding that this was a voluntary cancellation of P1's shares;
- The mandatory cancellation was carried out in compliance with the law and the company's founding agreement, which is confirmed by the register court's decision. Therefore, the Tax Control Office's decision is in contravention to a binding court ruling;
- Despite the fact that the dispute de facto revolves around there being a legal relation (the acquisition by P1 of its own shares for cancellation), the Tax Control Office refused to file a suit in a general court to determine that such an activity had been performed - citing a "lack of objective doubt." The above proves that the Tax Control Office does not have evidence allowing this to be determined by an independent court and, in violation of tax proceeding rules, is making standalone rulings in the area of private law.

- In reference to the principle of equity, the Tax Control Office seems to be assuming that in the circumstances of the matter the sole economically justified transaction was a voluntary share cancellation. The business objective of the share cancellation was the transfer of financial resources from P1 to the Group. According to the law, the above objective could have alternatively been achieved through other legal activities that are exempt from tax based on European Union law. The economic sense of the share cancellation should be compared to generating income from equity (as in the case of company liquidation or dividend payment) rather than income from a transaction (from the sale of property rights).
  - The circumstances of the matter and the accusations made by the Tax Control Office were analysed by renowned representatives of academia, tax law and corporate law, who have considered that the position of the Tax Control Office is completely unjustified and in violation of the law.
  - The Company does not agree with these findings and the legal assessment carried out by the Head of the Tax Control Office in the Decision, further it does not see grounds for recognising a provision for the amounts of tax arrears indicated in the Decision.
2. On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.
  3. 8 August 2017 – the Head of the Tax Authority Chamber in Warsaw issued a decision upholding the decision issued by the Head of the Tax Control Office
  4. 21 August 2017 – the Company lodged a complaint with the Voivodeship Administrative Court, with the intermediation of the Head of the Tax Authority Chamber, regarding the decision issued by the Head of the Tax Control Office, moreover:
    - it lodged a motion with the Head of the 2nd Mazowieckie Tax Office in Warsaw for suspension of decision issued by the Head of the Tax Control Office together with a motion to accept collateral for the tax liability concerning corporate income tax for 2011 together with late interest, in the form of a bank guarantee;
    - provided four bank guarantee documents to the Head of the 2nd Mazowieckie Tax Office in Warsaw, issued by the following banks: PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A. and Bank Pekao S.A., for a total amount of PLN 198 million.
  5. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office in Warsaw on acceptance until 20 August 2018 of a security for the payment of corporate income tax for 2011 in the form of four bank guarantees (PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A., Bank Pekao S.A.) up to a maximum amount of PLN 198.1 million
  6. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office on suspension of a decision issued by the head of a tax administration chamber until 20 August 2018
  7. Expected deadline for the case to be examined by the Voivodship Administrative Court: Q3 2018.

Aside from the above case, in Q1 2018 the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

## 7.9 Significant related-party transactions

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

## 7.10 Credit facilities, loans, sureties and guarantees

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

| Item                                 | Term loan (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Term loan (2)                                                                                                                                       | Working-capital loan                                                                                                                                                                                                                                                                                          | Guarantee line                                                                                                                  |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <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> |                                                                                                                                 |

Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017.

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

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

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

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

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

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 such events took place at Emperia Group during Q1 2018.

### **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) Internal cost control policy,
- c) Pace and effectiveness of investments in retail properties,
- 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) Search for investor completed

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

### Management Board



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

- 15 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 o.o.



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

- 16 years with Emperia Holding S.A.
- Has an MBA degree from Vienna University of Economics and Business
- Graduated from the Maria Curie-Skłodowska University, Economics Department
- Investment adviser licence no. 241
- Member of the Management Board, Finance Director, Stokrotka Sp. z o.o.

In Q1 2018, 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 2018.

Changes at Emperia Holding S.A.'s Supervisory Board occurred after the balance sheet date, as described in points 7.17 c) and d)

## 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

No such events took place at Emperia Group during Q1 2018.

### 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<br>in Q1 2018 | Change<br>in 2017 | Change<br>in Q1 2017 |
|------------------------------------------------|----------------------|-------------------|----------------------|
| <b>Non-current</b>                             |                      |                   |                      |
| As at the beginning of period                  | 1 732                | 1 454             | 1 454                |
| <i>Increases / decreases during the period</i> | -                    | 278               | -                    |
| <b>As at the end of period</b>                 | <b>1 732</b>         | <b>1 732</b>      | <b>1 454</b>         |

**Current**

|                                                |               |               |               |
|------------------------------------------------|---------------|---------------|---------------|
| As at the beginning of period                  | 13 192        | 10 550        | 10 550        |
| <i>Increases / decreases during the period</i> | 875           | 2 642         | 2 060         |
| <b>As at the end of period</b>                 | <b>14 067</b> | <b>13 192</b> | <b>12 610</b> |

| Other provisions                               | Change<br>in Q1 2018 | Change<br>in 2017 | Change<br>in Q1 2017 |
|------------------------------------------------|----------------------|-------------------|----------------------|
| <b>Non-current</b>                             |                      |                   |                      |
| As at the beginning of period                  | 5 027                | 9 020             | 9 020                |
| <i>Increases / decreases during the period</i> | (2 968)              | (3 993)           | (1 049)              |
| <b>As at the end of period</b>                 | <b>2 059</b>         | <b>5 027</b>      | <b>7 971</b>         |

**Current**

|                                                |               |              |               |
|------------------------------------------------|---------------|--------------|---------------|
| As at the beginning of period                  | 6 797         | 8 184        | 8 184         |
| <i>Increases / decreases during the period</i> | 4 663         | (1 387)      | 2 234         |
| <b>As at the end of period</b>                 | <b>11 460</b> | <b>6 797</b> | <b>10 418</b> |

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

No such changes took place at Emperia Group in Q1 2018.

### 7.15.6 Paid and received dividends

The parent, Emperia Holding S.A., did not pay out a dividend in Q1 2018.

#### Management Board and Supervisory Board recommendation regarding the 2017 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 2017 profit.

### 7.15.7 Changes in off-balance sheet liabilities

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

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



**Emperia Holding S.A.**

- mortgage on properties - total amount PLN 634.7 million

**Elpro Development S.A.**

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

**Stokrotka Sp. z o.o.**

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

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

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

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

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

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

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

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

## Other off-balance-sheet collateral

| Changes in off-balance sheet liabilities<br>during Q1 2018           | 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          | 2 175              |
| <i>Increases during the period</i>                                   | -                 | -               | -                  |
| <i>Decreases during the period</i>                                   | -                 | -               | -                  |
| <b>As at the end of period</b>                                       | <b>-</b>          | <b>25 000</b>   | <b>2 175</b>       |

| Changes in off-balance sheet liabilities<br>during 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>                                   | (30 000)          | -               | -                  |
| <b>As at the end of period</b>                                       | <b>-</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>                                   | -                 | (25 000)        | (7 150)            |
| <b>As at the end of period</b>                                       | <b>-</b>          | <b>-</b>        | <b>2 175</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<br>in Q1 2018 | Change<br>in 2017 | Change<br>in Q1 2017 |
|----------------------------------------------------|----------------------|-------------------|----------------------|
| <b>Impairment of property, plant and equipment</b> |                      |                   |                      |
| As at the beginning of period                      | (6 360)              | (7 859)           | 7 859                |
| <i>Recognition</i>                                 | -                    | (108)             | -                    |
| <i>Reversal</i>                                    | -                    | 1 608             | -                    |
| <b>As at the end of period</b>                     | <b>(6 360)</b>       | <b>(6 360)</b>    | <b>7 859</b>         |

#### Impairment of receivables

|                                                        |                |                |                |
|--------------------------------------------------------|----------------|----------------|----------------|
| As at the beginning of period                          | (7 161)        | (9 065)        | (9 065)        |
| <i>Recognition</i>                                     | (211)          | (877)          | (190)          |
| <i>Reversal</i>                                        | 103            | 537            | 1 552          |
| <i>Derecognised from statement of profit and loss*</i> | 111            | 2 233          | 123            |
| Exchange differences                                   | (10)           | 11             | -              |
| <b>As at the end of period</b>                         | <b>(7 168)</b> | <b>(7 161)</b> | <b>(7 580)</b> |

#### Impairment of inventories

|                                |                 |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|
| As at the beginning of period  | (22 040)        | (19 015)        | (19 015)        |
| <i>Recognition</i>             | (7 329)         | (28 003)        | (7 943)         |
| <i>Reversal</i>                | 4 580           | 24 978          | 197             |
| <b>As at the end of period</b> | <b>(24 789)</b> | <b>(22 040)</b> | <b>(26 761)</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<br>in Q1 2018 | Change<br>in 2017 | Change<br>in Q1 2017 |
|--------------------------------|----------------------|-------------------|----------------------|
| As at the beginning of period  | 30 714               | 18 053            | 18 053               |
| Increase                       | 1 610                | 14 427            | 2 658                |
| Decrease                       | (109)                | (1 766)           | (146)                |
| <b>As at the end of period</b> | <b>32 215</b>        | <b>30 714</b>     | <b>20 565</b>        |

| Deferred income tax provision  | Change<br>in Q1 2018 | Change<br>in 2017 | Change<br>in Q1 2017 |
|--------------------------------|----------------------|-------------------|----------------------|
| As at the beginning of period  | 7 632                | 5 488             | 5 488                |
| Recognition                    | 76                   | 4 117             | 1 263                |
| Reversal                       | (363)                | (1 974)           | (26)                 |
| <b>As at the end of period</b> | <b>7 345</b>         | <b>7 632</b>      | <b>6 725</b>         |

### 7.15.11 Financial and operating leasing

#### a) Finance lease liabilities

| Finance lease liabilities | 31 Mar 2018      |                                      |
|---------------------------|------------------|--------------------------------------|
|                           | Minimum payments | Present value of<br>minimum payments |
| Within 1 year             | 301              | 296                                  |
| Within 1 to 5 years       | -                | -                                    |
| Within more than 5 years  | -                | -                                    |
| <b>Total</b>              | <b>301</b>       | <b>296</b>                           |

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

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

| <b>Q1 2018</b>                    | <b>Term of agreement</b> | <b>As at 31 Mar 2018</b> | <b>As at 31 Sep 2019</b>      | <b>1 to 5 years</b> | <b>Over 5 years</b> |
|-----------------------------------|--------------------------|--------------------------|-------------------------------|---------------------|---------------------|
|                                   |                          |                          | <b>Minimum annual payment</b> |                     |                     |
| Property                          | specified                | 25 092                   | 101 896                       | 407 359             | 507 456             |
|                                   | unspecified              | 1 117                    | 3 697                         | 14 787              | 18 484              |
| Technical equipment and machinery | specified                | -                        | 1                             | 1                   | -                   |
|                                   | unspecified              | 17                       | 69                            | 275                 | 344                 |
| Means of transport                | specified                | 2 291                    | 7 461                         | 14 760              | 102                 |
|                                   | unspecified              | -                        | -                             | -                   | -                   |

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

| <b>2017</b>                       | <b>Term of agreement</b> | <b>As at 31 Dec 2017</b> | <b>As at 31 Dec 2018</b>      | <b>1 to 5 years</b> | <b>Over 5 years</b> |
|-----------------------------------|--------------------------|--------------------------|-------------------------------|---------------------|---------------------|
|                                   |                          |                          | <b>Minimum annual payment</b> |                     |                     |
| Property                          | specified                | 98 368                   | 103 809                       | 415 311             | 517 466             |
|                                   | unspecified              | 2 542                    | 2 518                         | 10 072              | 12 591              |
| Technical equipment and machinery | specified                | 93                       | 1                             | 1                   | 1                   |
|                                   | unspecified              | 111                      | 119                           | 476                 | 595                 |
| Means of transport                | specified                | 8 314                    | 7 461                         | 15 012              | 590                 |
|                                   | unspecified              | -                        | -                             | -                   | -                   |

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

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

Did not take place in Q1 2018.

**7.15.13 Correction of prior-period errors**

Did not take place in Q1 2018.

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

Did not take place in Q1 2018.

## 7.16 Other significant events during the reporting period

### **a) Resolution to secure Eurocash S.A. claim to cancel resolution 2 of Emperia Holding S.A.'s Extraordinary General Meeting of 20 December 2017, release of collateral and withdrawal of lawsuit.**

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

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

On 5 March 2018, the District Court in Warsaw, 16th Commercial Division, delivered to Emperia Holding S.A. a copy of a lawsuit initiated by Eurocash S.A., based in Komorniki, regarding cancellation of resolution 2 of the Issuer's Extraordinary General Meeting on 20 December 2017 regarding changes to the Issuer's Articles of Association. At the same time, the Court gave Emperia Holding S.A. one month to respond to the lawsuit. Emperia Holding S.A. submitted an appropriate response to the lawsuit within the specified deadline.

On 17 April 2018, the Management Board of Emperia Holding S.A. announced that it had received information on the Issuer's appeal to a ruling by the District Court in Warsaw of 8 January 2018 having been examined by the Appeals Court on 12 April 2018 and its ruling to reject the motion by Eurocash S.A., based in Komorniki, to secure a claim for the cancellation of resolution 2 of the Issuer's Extraordinary General Meeting on 20 December 2017 by suspending performance of this resolution.

On 23 April 2018, the Management Board of Emperia Holding S.A. received information on withdrawal of the case brought by Eurocash S.A., based in Komorniki ("Eurocash"), regarding cancellation of resolution 2 of the Issuer's Extraordinary General Meeting on 20 December 2017 regarding changes to the Issuer's Articles of Association.

### **b) Extension by Maxima Grupé of deadline for subscriptions to sell Emperia Holding S.A. shares and settlement of tender offer**

On 14 February 2018, Maxima Grupé extended the subscription deadline to 16 March 2018, i.e. for an amount of time that is necessary to obtain approval from the president of the Office of Competition and Consumer Protection. On 14 March 2018, Maxima Grupé once again extended the subscription deadline, to 12 April 2018.

On 5 April 2018, Maxima Grupé obtained unconditional approval from the President of UOKiK to acquire Emperia Holding S.A.

As a result of settling the Tender Offer, which took place on 18 April 2018, Maxima purchased and holds directly 11 559 259 shares of the Company, which constitutes 93.66% of the Company's share capital and entitles to exercise 11 559 259 votes at the Company's general meeting, which represents 93.66% of total votes at the Company's general meeting.

### **c) Sale of shares in Emperia Holding S.A. by members of its Management Board**

On 8 March 2018, Cezary Baran, serving as Vice-President of the Issuer's Management Board, submitted a notification concerning sale of the Issuer's shares. As a result of this transaction, on 6 March 2018 Cezary Baran sold 600 shares of the Issuer. In accordance with the Issuer's information, after this transaction Cezary Baran no

longer holds any shares of the Issuer.

On 12 March 2018, Dariusz Kalinowski, serving as President of the Issuer's Management Board, submitted a notification concerning sale of the Issuer's shares. As a result of this transaction, on 8 March 2018 Dariusz Kalinowski sold a total of 6 089 shares of the Issuer.

## 7.17 Significant events after the reporting period

### **a) Sale of shares in Emperia Holding S.A. by a member of its Management Board and a member of its Supervisory Board**

On 19 April 2018, Jarosław Wawerski, serving as member of the Supervisory Board, submitted a notification concerning sale of the Issuer's shares. As a result of this transaction, on 17 April 2018 Jarosław Wawerski sold 19 494 shares of the Issuer.

On 20 April 2018, Dariusz Kalinowski, serving as President of the Issuer's Management Board, submitted a notification concerning sale of the Issuer's shares. As a result of this transaction, on 17 April 2018 Dariusz Kalinowski sold a total of 35 005 shares of the Issuer.

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

On 20 April 2018, the Management Board of Emperia Holding S.A. received notification from Aviva Otwarty Fundusz Emerytalny that on 17 April 2018 in response to the tender offer to sell Emperia Holding S.A. shares the Fund sold 794 309 shares of Emperia Holding S.A. on the regulated market. After settling this response to the Tender Offer and selling all of its shares of Emperia Holding S.A., the Fund no longer holds any of the Company's shares.

On 20 April 2018, the Management Board of Emperia Holding S.A. received notification from ALTUS TFI S.A. that on 18 April 2018 a transaction to sell the Fund's 1 507 684 shares of Emperia Holding S.A. was settled. In connection with this transaction, investment funds managed by ALTUS TFI S.A. no longer hold any shares of the Company.

On 20 April 2018, the Management Board of Emperia Holding S.A. received notification from AXA Otwarty Fundusz Emerytalny that on 18 April 2018 in response to the tender offer to sell Emperia Holding S.A. shares the Fund sold 999 036 shares of Emperia Holding S.A. on the regulated market. After settling this response to the Tender Offer and selling all of its shares of Emperia Holding S.A., the Fund no longer holds any of the Company's shares.

On 23 April 2018, the Management Board of Emperia Holding S.A. received a notification from IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. stating that on 17 April 2018, in response to a tender offer to subscribe for the sale of Emperia Holding S.A. shares, IPOPEMA 72 FIZAN sold 1 154 003 shares of Emperia Holding S.A. on the regulated market. After settling this response to the Tender Offer and selling all of its shares of Emperia Holding S.A., IPOPEMA 72 FIZAN no longer holds any of the Company's shares.

After this event, all of the funds managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. held a total of 4 140 shares representing 0.03% of the Company's share capital.

On 25 April 2018, the Management Board of Emperia Holding S.A. received notification from Nederlanden Powszechne Towarzystwo Emerytalne S.A. that on 18 April 2018 in response to the tender offer to sell Emperia Holding S.A. shares the Fund sold 1 362 697 shares of Emperia Holding S.A. on the regulated market. After settling

this response to the Tender Offer and selling all of its shares of Emperia Holding S.A., the Fund no longer holds any of the Company's shares.

**c) Resignation of Supervisory Board members at Emperia Holding S.A.**

On 26 March 2018, the Management Board of Emperia Holding S.A. resignations from all members the Supervisory Board of Emperia Holding S.A.:

- Artur Kawa,
- Jarosław Wawerski,
- Artur Laskowski,
- Michał Kowalczewski,
- Aleksander Widera,

pursuant to which they ceased performing their functions as of 3 May 2018.

**d) Appointment of new Supervisory Board members**

On 4 May 2018, an Extraordinary General Meeting of Emperia Holding S.A. took place, which adopted resolutions concerning the appointment of Supervisory Board members.

The following persons were appointed to Emperia Holding S.A.'s Supervisory Board on 4 May 2018:

- Dalius Misiūnas
- Arūnas Zimnickas
- Vygintas Šapokas
- Marcin Jasiński
- Karol Szymański



## 8. Issuer's condensed separate financial statements

### 8.1 Selected separate financial data

| No.    | SELECTED FINANCIAL DATA<br>(current year)                           | PLN                                                       |                                                           | EUR                                                       |                                                           |
|--------|---------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
|        |                                                                     | For the<br>period from<br>1 Jan 2018<br>to 31 Mar<br>2018 | For the<br>period from<br>1 Jan 2016<br>to 31 Mar<br>2017 | For the<br>period from<br>1 Jan 2018<br>to 31 Mar<br>2018 | For the<br>period from<br>1 Jan 2016<br>to 31 Mar<br>2017 |
| I.     | Net revenue from sale of products, goods and materials              | 3 287                                                     | 3 888                                                     | 787                                                       | 906                                                       |
| II.    | Operating profit (loss)                                             | 1 163                                                     | 960                                                       | 278                                                       | 224                                                       |
| III.   | Profit (loss) before tax                                            | (328)                                                     | 887                                                       | (78)                                                      | 207                                                       |
| IV.    | Profit (loss) for the period                                        | (483)                                                     | 708                                                       | (116)                                                     | 165                                                       |
| V.     | Net cash flows from operating activities                            | (1 757)                                                   | 1 576                                                     | (420)                                                     | 367                                                       |
| VI.    | Net cash flows from investing activities                            | 79                                                        | (32)                                                      | 19                                                        | (7)                                                       |
| VII.   | Net cash flows from financing activities                            | 529                                                       | (123)                                                     | 127                                                       | (29)                                                      |
| VIII.  | Total net cash flows                                                | (1 149)                                                   | 1 421                                                     | (275)                                                     | 331                                                       |
| IX.    | Total assets                                                        | 527 007                                                   | 528 869                                                   | 125 224                                                   | 126 800                                                   |
| X.     | Liabilities and liability provisions                                | 62 099                                                    | 63 478                                                    | 14 756                                                    | 15 219                                                    |
| XI.    | Total non-current liabilities                                       | 1 062                                                     | 1 013                                                     | 252                                                       | 243                                                       |
| XII.   | Total current liabilities                                           | 61 037                                                    | 62 465                                                    | 14 503                                                    | 14 976                                                    |
| XIII.  | Equity                                                              | 464 908                                                   | 465 391                                                   | 110 469                                                   | 111 580                                                   |
| XIV.   | Share capital                                                       | 12 342                                                    | 12 342                                                    | 2 933                                                     | 2 959                                                     |
| XV.    | Number of shares                                                    | 12 342 027                                                | 12 342 027                                                | 12 342 027                                                | 12 342 027                                                |
| XVI.   | Weighted average number of shares                                   | 11 913 790                                                | 11 954 681                                                | 11 913 790                                                | 11 954 681                                                |
| XVII.  | Profit (loss) per ordinary share, annualised* (in PLN/EUR)          | (0.19)                                                    | 1.47                                                      | (0.05)                                                    | 0.34                                                      |
| XVIII. | Diluted profit (loss) per ordinary share, annualised** (in PLN/EUR) | (0.19)                                                    | 1.47                                                      | (0.05)                                                    | 0.34                                                      |
| XIX.   | Book value per share* (in PLN/EUR)                                  | 39.02                                                     | 39.03                                                     | 9.27                                                      | 9.36                                                      |
| XX.    | Diluted book value per share** (in PLN/EUR)                         | 39.02                                                     | 39.03                                                     | 9.27                                                      | 9.36                                                      |
| 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 2018 (January-March): 11 913 790;

- for Q1 2017 (January-March): 11 954 681;

#### 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 2018 was EURPLN 4.1784 Q1 2017 was EURPLN 4.2891.
- 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 2018: EURPLN 4.2085; as at 31 December 2017: EURPLN 4.1709.

## 8.2 Condensed separate statement of financial position

|                                                                                    | 31 Mar 2018    | 31 Dec 2017    | 31 Mar 2017    |
|------------------------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Total non-current assets</b>                                                    | <b>480 101</b> | <b>480 547</b> | <b>482 767</b> |
| Property, plant and equipment                                                      | 55             | 64             | 740            |
| Investment properties                                                              | 52 697         | 53 053         | 54 488         |
| Intangible assets                                                                  | 795            | 840            | 1 075          |
| Financial assets                                                                   | 426 286        | 426 286        | 426 286        |
| Deferred income tax assets                                                         | 127            | 153            | 175            |
| Other non-current prepayments                                                      | 141            | 151            | 3              |
| <b>Total current assets</b>                                                        | <b>46 906</b>  | <b>48 322</b>  | <b>9 362</b>   |
| Current receivables                                                                | 1 259          | 1 582          | 2 457          |
| Income tax receivables                                                             | 524            | 457            | -              |
| Current prepayments                                                                | 810            | 821            | 194            |
| Cash and cash equivalents                                                          | 44 313         | 45 462         | 6 711          |
| <b>Total assets</b>                                                                | <b>527 007</b> | <b>528 869</b> | <b>492 129</b> |
| <b>Total equity</b>                                                                | <b>464 908</b> | <b>465 391</b> | <b>468 167</b> |
| Share capital                                                                      | 12 342         | 12 342         | 12 342         |
| Share premium                                                                      | 411 670        | 411 670        | 411 670        |
| Reserve capital                                                                    | 43 447         | 43 447         | 25 442         |
| Retained earnings                                                                  | (2 551)        | (2 068)        | 18 713         |
| <b>Total non-current liabilities</b>                                               | <b>1 062</b>   | <b>1 013</b>   | <b>864</b>     |
| Non-current liabilities                                                            | 112            | 110            | 113            |
| Provisions                                                                         | 39             | 39             | 49             |
| Deferred income tax provision                                                      | 911            | 864            | 702            |
| <b>Total current liabilities</b>                                                   | <b>61 037</b>  | <b>62 465</b>  | <b>23 098</b>  |
| Credit facilities, loans, debt instruments and other current financial liabilities | 59 609         | 58 619         | 19 979         |
| Current liabilities                                                                | 1 072          | 3 555          | 1 251          |
| Income tax liabilities                                                             | -              | -              | 7              |
| Provisions                                                                         | 341            | 276            | 653            |
| Deferred revenue                                                                   | 15             | 15             | 1 208          |
| <b>Total equity and liabilities</b>                                                | <b>527 007</b> | <b>528 869</b> | <b>492 129</b> |
| <b>Book value</b>                                                                  | <b>464 907</b> | <b>465 391</b> | <b>468 167</b> |
| Weighted average number of shares                                                  | 11 913 790     | 11 923 985     | 11 954 988     |
| Book value per share (in PLN)*                                                     | 39.02          | 39.03          | 39.16          |

\* 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<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Revenue from sales                                         | 3 287                                | 3 888                                |
| Cost of sales                                              | (1 312)                              | (1 976)                              |
| <b>Profit on sales</b>                                     | <b>1 975</b>                         | <b>1 912</b>                         |
| Other operating revenue                                    | 90                                   | 73                                   |
| Selling costs                                              | -                                    | -                                    |
| Administrative expenses                                    | (902)                                | (1 024)                              |
| Other operating expenses                                   | -                                    | (1)                                  |
| <b>Operating profit</b>                                    | <b>1 163</b>                         | <b>960</b>                           |
| Finance income                                             | 108                                  | 71                                   |
| Finance costs                                              | (1 599)                              | (144)                                |
| <b>Profit before tax</b>                                   | <b>(328)</b>                         | <b>887</b>                           |
| Income tax                                                 | (155)                                | (179)                                |
| - current                                                  | (82)                                 | (148)                                |
| - deferred                                                 | (73)                                 | (31)                                 |
| <b>Profit for the period</b>                               | <b>(483)</b>                         | <b>708</b>                           |
| Profit for the period attributable to owners of the parent | (483)                                | 708                                  |

|                                                                 | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|-----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit (loss) for the period (annualised)</b>                | <b>(2 303)</b>                       | <b>17 515</b>                        |
| Weighted average number of ordinary shares                      | 11 913 790                           | 11 954 681                           |
| Weighted average diluted number of ordinary shares              | 11 913 790                           | 11 954 681                           |
| Profit (loss) per ordinary share, annualised (in PLN)*          | (0.19)                               | 1.47                                 |
| Diluted profit (loss) per ordinary share, annualised (in PLN)** | (0.19)                               | 1.47                                 |

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

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

as at 31 March 2018 and 31 March 2017, the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 was fully settled

| <b>Statement of comprehensive income</b>   | Three months<br>ended<br>31 Mar 2018 | Three months<br>ended<br>31 Mar 2017 |
|--------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit for the period</b>               | <b>(483)</b>                         | <b>708</b>                           |
| Other comprehensive income                 | -                                    | -                                    |
| <b>Comprehensive income for the period</b> | <b>(483)</b>                         | <b>708</b>                           |

## 8.4 Condensed separate statement of changes in equity

|                                                             | Share capital | Share premium  | Management options provision | Reserve capital | Retained earnings | Total equity   |
|-------------------------------------------------------------|---------------|----------------|------------------------------|-----------------|-------------------|----------------|
| <b>1 Jan 2018</b>                                           | <b>12 342</b> | <b>411 670</b> | -                            | <b>43 447</b>   | <b>(2 068)</b>    | <b>465 391</b> |
| Comprehensive income for the three months ended 31 Mar 2018 | -             | -              | -                            | -               | (483)             | (483)          |
| <b>31 Mar 2018</b>                                          | <b>12 342</b> | <b>411 670</b> | -                            | <b>43 447</b>   | <b>(2 551)</b>    | <b>464 908</b> |

|                                                     | Share capital | Share premium  | Management options provision | Reserve capital | Retained earnings | 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> |
| Profit / (loss) for the period                      | -             | -              | -                            | -               | (2 078)           | (2 078)        |
| Other net comprehensive income                      | -             | -              | -                            | -               | 9                 | 9              |
| Prior-year profit distribution - transfer to equity | -             | -              | -                            | 18 005          | (18 005)          | -              |
| <b>31 Dec 2017</b>                                  | <b>12 342</b> | <b>411 670</b> | -                            | <b>43 447</b>   | <b>(2 068)</b>    | <b>465 391</b> |

|                                                             | Share capital | Share premium  | Management options provision | Reserve capital | Retained earnings | 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> |

## 8.5 Condensed separate statement of cash flows

| Operating activities                                            | Three months ended<br>31 Mar 2018 | Three months ended<br>31 Mar 2017 |
|-----------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Profit (loss) for the period</b>                             | <b>(483)</b>                      | <b>708</b>                        |
| <b>Adjusted by:</b>                                             | <b>(1 274)</b>                    | <b>868</b>                        |
| Depreciation / amortisation                                     | 410                               | 491                               |
| Interest and shares of profit (dividends)                       | 461                               | 143                               |
| Income tax                                                      | 155                               | 179                               |
| Profit (loss) on investing activities                           | (66)                              | (32)                              |
| Change in provisions                                            | 65                                | 42                                |
| Change in receivables                                           | 310                               | 496                               |
| Change in prepayments                                           | 22                                | (148)                             |
| Change in liabilities                                           | (2 481)                           | (99)                              |
| Income tax paid                                                 | (149)                             | (204)                             |
| <b>Net cash from operating activities</b>                       | <b>(1 757)</b>                    | <b>1 576</b>                      |
|                                                                 |                                   |                                   |
| Investing activities                                            | Three months ended<br>31 Mar 2018 | Three months ended<br>31 Mar 2017 |
| <b>Inflows</b>                                                  | <b>79</b>                         | <b>33</b>                         |
| Disposal of property, plant and equipment and intangible assets | 79                                | 33                                |
| Disposal of financial assets                                    | -                                 | -                                 |
| <b>Outflows</b>                                                 | <b>-</b>                          | <b>(65)</b>                       |
| Purchase of property, plant and equipment and intangible assets | -                                 | (65)                              |
| Purchase of subsidiaries and associates                         | -                                 | -                                 |
| Purchase of financial assets                                    | -                                 | -                                 |
| <b>Net cash from investing activities</b>                       | <b>79</b>                         | <b>(32)</b>                       |

| <b>Financing activities</b>                                 | <b>Three months<br/>ended<br/>31 Mar 2018</b> | <b>Three months<br/>ended<br/>31 Mar 2017</b> |
|-------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Inflows</b>                                              | <b>59 532</b>                                 | <b>39 878</b>                                 |
| Issue of short-term debt instruments                        | 59 532                                        | 39 878                                        |
| <b>Outflows</b>                                             | <b>(59 003)</b>                               | <b>(40 001)</b>                               |
| Buy-back of short-term debt instruments                     | (59 000)                                      | (40 000)                                      |
| Interest and fees paid                                      | (3)                                           | (1)                                           |
| <b>Net cash from financing activities</b>                   | <b>529</b>                                    | <b>(123)</b>                                  |
| <br><b>Change in cash and cash equivalents</b>              | <br><b>(1 149)</b>                            | <br><b>1 421</b>                              |
| Exchange differences                                        | -                                             | -                                             |
| <b>Cash and cash equivalents at the beginning of period</b> | <b>45 462</b>                                 | <b>5 290</b>                                  |
| <b>Cash and cash equivalents at the end of period</b>       | <b>44 313</b>                                 | <b>6 711</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, 14 May 2018**

**Signatures of all Management Board members:**

Dariusz Kalinowski                      President of the Management Board

.....  
Signature

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

.....  
Signature

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

Elżbieta Świniarska                      Economic Director

.....  
Signature