

Emperia Holding S.A. Group

Independent Registered Auditor's Report

Consolidated Financial Statements

Report on Group's operations

Registered Auditor's Report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2016

Content:

Independent Registered Auditor's Report

prepared by PricewaterhouseCoopers Sp. z o.o.

Consolidated Financial Statements

prepared by Emperia Holding S.A. Group

Report on Group's operations

prepared by Management Board of the Parent Company of Emperia Holding S.A. Group

Registered Auditor's Report on the audit of the consolidated financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

Emperia Holding S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

To the General Shareholders' Meeting and the Supervisory Board of Emperia Holding S.A.

This report contains 10 consecutively numbered pages and consists of:

	Page
I. General information about the Group.....	2
II. Information about the audit.....	5
III. The Group's results, financial position and significant items of the consolidated financial statements	6
IV. The independent registered auditor's statements.....	9
V. Final information	10

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

I. General information about the Group

- a. Emperia Holding S.A. ("the Parent Company") with its seat in Warsaw, Puławska 2B Street is the parent company of the Emperia Holding S.A. Group ("the Group").
- b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 26 October 1994 at the Notary Public's Office of Jadwiga Pluta in Lublin and registered with Rep. A No. 366/94. On 9 August 2001, the Parent Company was entered in the Register of Businesses maintained by the District Court in Lublin XI Business Department of the National Court Register, with the reference number KRS 0000034566.
- c. The Parent Company was assigned a tax identification number (NIP) 712-10-07-105 for the purpose of making tax settlements and a REGON number 430450457 for statistical purposes.
- d. As at 31 December 2016 the Parent Company's share capital amounted to PLN 12,342,027.00 and consisted of 12,342,027 shares, with a nominal value of PLN 1.00 each.
- e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Ipopema TFI	1,458,583	1,458,583.00	ordinary	11.8
Altus TFI	1,644,493	1,644,493.00	ordinary	13.4
AXA OFE	977,481	977,481.00	ordinary	7.9
Aviva OFE	834,991	834,991.00	ordinary	6.8
NN OFE	755,713	755,713.00	ordinary	6.1
MetLife OFE	632,417	632,417.00	ordinary	5.1
Own shares	413,041	413,041.00	ordinary	3.3
Free float	5,625,308	5,625,308.00	ordinary	45.6
	12,342,027	12,342,027.00		100.0

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

As at 31 December 2015, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Ipopema TFI	1,458,583	1,458,583.00	ordinary	11.0
Altus TFI	1,449,528	1,449,528.00	ordinary	11.0
AXA OFE	977,481	977,481.00	ordinary	7.4
Aviva OFE	834,991	834,991.00	ordinary	6.3
NN OFE	755,713	755,713.00	ordinary	5.7
Other shareholders holding less than 5% of shares in equity	7,759,199	7,759,199.00	ordinary	58.6
	13,235,495	13,235,495.00		100.0

- f. In the audited year, the Group's operations comprised mainly retail sale, rental properties and IT services.
- g. During the audited year, the Management Board of the Parent Company comprised:
- Dariusz Kalinowski Chairman of the Management Board
 - Cezary Baran Vice President of the Management Board

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

h. As at 31 December 2016, the Emperia Holding S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Emperia Holding S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Stokrotka Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Infinite Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	(*)	31 December 2016
Elpro Ekon Spółka z ograniczoną odpowiedzialnością S.K.A.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
P3 EKON Spółka z ograniczoną odpowiedzialnością S.K.A.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	(*)	31 December 2016
Ekon Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	(*)	31 December 2016
Elpro Development S.A.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Eldorado Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	(*)	31 December 2016
P5 EKON Spółka z ograniczoną odpowiedzialnością S.K.A.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	(*)	31 December 2016

(*) As at the date of signing the opinion on the audit of the consolidated financial statements of the Group, the standalone financial statements were audited for the purposes of auditing the consolidated financial statements of the Group, but independent opinion was not released.

i. During the financial year, the following changes took place in the scope of consolidation:

- On 14 November 2016 there was a cross-border merger of Elpro Development S.A. (acquirer company) with EMP Investment Limited with its seat in Nicosia (acquired company).
- In the IV quarter of 2016, all investment certificates of POPEMA 55 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych held by the companies belonging to the Emperia Holding Group were disposed.

j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

II. Information about the audit

- a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Łukasz Kazimierski (no. 12879).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Parent Company by Resolution No. 2 of the Supervisory Board of Emperia Holding S.A. dated 19 January 2017 in accordance with with article 14 paragraph 2 letter "o" of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 22 February 2017, in the period from 13 March to 25 April 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016 (selected lines)

	31.12.2016	31.12.2015*	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	31.12.2016 (%)	31.12.2015* (%)
ASSETS						
Non-current assets	609,180	624,116	(14,936)	(2.4)	57.3	61.4
Current assets	453,633	393,142	60,491	15.4	42.7	38.6
Total assets	1,062,813	1,017,258	45,555	4.5	100.0	100.0
LIABILITIES AND EQUITY						
Share capital	626,268	594,904	31,364	5.3	58.9	58.5
Total long-term liabilities	20,034	24,112	(4,078)	(16.9)	1.9	2.4
Total short-term liabilities	416,511	398,242	18,269	4.6	39.2	39.1
Total liabilities and equity	1,062,813	1,017,258	45,555	4.5	100.0	100.0

*restated data

CONSOLIDATED INCOME STATEMENT
for the year from 1 January to 31 December 2016 (selected lines)

	2016	2015*	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2016 (%)	2015* (%)
Revenue	2,450,750	2,078,010	372,740	17.9	100.0	100.0
Costs of sales	(1,771,855)	(1,483,053)	(288,802)	19.5	(72.3)	(71.4)
Profit on sales	678,895	594,957	83,938	14.1	27.7	28.6
Net profit for the year	50,551	48,356	2,195	4.5	2.1	2.3

*restated data

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2016 (selected lines)

	2016	2015	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
Net profit for the year	50,551	48,356	2,195	4.5	2.1	2.3
Other net comprehensive income	(423)	(23)	(400)	1.739.1	-	-
Total comprehensive income for the year	50,128	48,333	1,795	3.7	2.0	2.3

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterizing the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous year:

	2016	2015*
Asset ratios		
- receivables turnover	6 days	6 days
- inventory turnover	42 days	44 days
Profitability ratios		
- net profit margin	2.1%	2.3%
- gross margin	53.5%	55.0%
- return on capital employed	8.3%	8.0%
Liability ratios		
- gearing	41.1%	41.5%
- payables turnover	55 days	56 days
	31.12.2016	31.12.2015*
Liquidity ratios		
- current ratio	1.1	1.0
- quick ratio	0.6	0.5

**calculations based on restated data*

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

Our audit did not cover detailed comparative data constituting the basis for calculating the ratios for the previous years.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.8% in the audited year (deflation -0.5% in 2015).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The comparability of the consolidated financial statements for 2015 and 2016, and thus the information content of the financial ratios for these years, may be limited due to the restated comparative data in financial statements for 2016.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year, the Group's total assets amounted to PLN 1,062,813 thousand. During the year total assets increased by PLN 45,555 thousand, i.e. by 4.5%. This increase was financed mainly by net profit generated of PLN 50,551 thousand and an increase in short-term liabilities of PLN 19,306 thousand, with a simultaneous acquisition of own shares of PLN 18,813 thousand.
- Liability ratios and the structure of liabilities have changed. The gearing ratio decreased from 41.5% at the end of the previous year to 41.1% at the end of the current year. The payables turnover ratio decreased from 56 days to 55 days, respectively.
- Revenue amounted to PLN 2,450,750 thousand, which constituted a PLN 372,740 thousand, i.e. by 17.9% increase compared with the previous year. The Group's core activities in the current financial year consisted of sales made through a chain of Stokrotka stores. Such sales have increased by PLN 373,862 thousand, i.e. by 18.4% compared with the previous financial year.
- The cost of goods for resale and materials sold was the largest item of operating expenses and amounted to PLN 1,743,366 thousand in the audited year, which constituted 72.5% of operating expenses. The cost of goods for resale and materials sold has increased by PLN 284,932 thousand, i.e. by 19.5% compared with the previous year.
- Profitability measured with net profit amounted to 2.1% and was 0.2 percentage points lower than in the previous year.
- The Group's liquidity has changed slightly. In the audited year, the current and quick ratios amounted to 1.1 (at the end of 2015: 1.0) and 0.6 (at the end of 2015: 0.5) respectively.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statements

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
- d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- e. The elimination of unrealized gains of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- h. The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 30 June 2016 and filed with the National Court Register in Warsaw on 6 July 2016.
- i. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.
- j. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emperia Holding S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Emperia Holding S.A. Group having Emperia Holding S.A., Puławska 2B Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 25 April 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 25 April 2017 to the General Shareholders' Meeting and the Supervisory Board of Emperia Holding S.A., that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Łukasz Kazimierski

Key Registered Auditor
No. 12879

Warsaw, 25 April 2017



Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.