Emperia Holding

CONSOLIDATED FINANCIAL STATEMENTS

FOR 2017

PREPARED IN ACCORDANCE WITH IFRS
AS ENDORSED BY THE EU

(DATA IN PLN 000s)

WARSAW

Contents

1. Selected financial data ... 3
2. Consolidated statement of financial position ... 4
3. Consolidated statement of profit and loss and consolidated statement of comprehensive income ... 7
4. Consolidated statement of changes in equity ... 9
5. Consolidated statement of cash flows ... 11
6. Additional information ... 13
   6.1 Description of Group structure ... 13
   6.2 Description of key accounting principles ... 15
   6.3 Additional explanatory notes ... 38

(amounts in PLN 000s, unless otherwise stated)

1. Selected financial data

No.	SELECTED FINANCIAL DATA	PLN		EUR	
		For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2017 to 31 Dec 2017	For the period from 1 Jan 2016 to 31 Dec 2016
I.	Net revenue from sale of products, goods and materials	2 576 454	2 385 207	606 981	546 752
II.	Operating profit (loss)	41 296	61 702	9 729	14 144
III.	Profit (loss) before tax	37 921	61 232	8 934	14 036
IV.	Profit (loss) for the period	34 863	50 551	8 213	11 588
V.	Net cash flows from operating activities	99 217	91 000	23 374	20 860
VI.	Net cash flows from investing activities	(43 245)	(28 116)	(10 188)	(6 445)
VII.	Net cash flows from financing activities	(7 039)	(20 247)	(1 658)	(4 641)
VIII.	Total net cash flows	48 933	42 637	11 528	9 774
IX.	Total assets	1 143 655	1 062 813	274 199	240 238
X.	Liabilities and liability provisions	492 230	436 545	118 015	98 676
XI.	Non-current liabilities	16 347	20 034	3 919	4 528
XII.	Current liabilities	475 883	416 511	114 096	94 148
XIII.	Equity	651 425	626 268	156 183	141 561
XIV.	Share capital	12 342	12 342	2 959	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	12 086 113	12 086 113	12 086 113	12 086 113
XVII.	Profit (loss) per ordinary share* (in PLN/EUR)	2.92	4.18	0.69	0.96
XVIII.	Diluted profit (loss) per ordinary share** (in PLN/EUR)	2.92	4.18	0.69	0.96
XIX.	Book value per share* (in PLN/EUR)	54.59	51.82	13.09	11.71
XX.	Diluted book value per share** (in PLN/EUR)	54.59	51.82	13.09	11.71
XXI.	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 2017: 11 933 984
- for 2016: 12 086 113

Weighted average diluted number of ordinary shares:
as at 31 December 2017 and 2018, the 2010 and 2011 tranche of the 2nd Management Options Programme 2010-2012 was fully settled

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 2017 was EURPLN 4.2447 and for 2016: EURPLN 4.3625.

2. Balance sheet items and book value / diluted book value are translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 31 December 2017: EURPLN 4.1709; as at 31 December 2016: EURPLN 4.4240.

(amounts in PLN 000s, unless otherwise stated)

2. Consolidated statement of financial position

Assets	Note	31 Dec 2017	31 Dec 2016
Non-current assets		**634 828**	**609 180**
Property, plant and equipment	6.3.1 and 6.3.2	412 182	386 866
Investment properties	6.3.3 and 6.3.4	120 512	123 441
Intangible assets	6.3.5 and 6.3.6	3 802	4 118
Goodwill	6.3.7	39 200	52 044
Financial assets	6.3.8	37	37
Non-current loans	6.3.9	213	263
Non-current receivables	6.3.10	8 499	5 532
Deferred income tax assets	6.3.11	30 714	18 053
Other non-current prepayments	6.3.12	19 669	18 826
Current assets		**508 827**	**453 633**
Inventories	6.3.13	233 759	217 962
Receivables	6.3.14	69 235	80 733
Income tax receivables		1 420	656
Short-term securities	6.3.15	-	-
Prepayments	6.3.16	8 037	6 087
Cash and cash equivalents	6.3.17 and 6.3.40	195 364	146 432
Other financial assets	6.3.18	1 012	1 763
Total assets		**1 143 655**	**1 062 813**

(amounts in PLN 000s, unless otherwise stated)

Equity and liabilities	Note	31 Dec 2017	31 Dec 2016
Equity		**651 425**	**626 268**
Share capital	6.3.19	12 342	12 342
Share premium		419 964	419 964
Supplementary capital		99 905	99 905
Management options provision		-	-
Reserve capital		90 771	72 766
Own shares		(27 540)	(23 320)
Retained earnings	6.3.20	55 983	44 611
Total equity attributable to owners of the parent		**651 425**	**626 268**
Non-controlling interests		-	-
Total non-current liabilities		**16 347**	**20 034**
Credit facilities, loans and debt instruments	6.3.21	-	600
Non-current liabilities	6.3.22	1 956	3 472
Provisions	6.3.23	6 759	10 474
Deferred income tax provision	6.3.24	7 632	5 488
Total current liabilities		**475 883**	**416 511**
Credit facilities, loans and debt instruments	6.3.25	746	1 122
Current liabilities	6.3.26	450 788	388 725
Income tax liabilities		550	613
Provisions	6.3.23	19 989	18 734
Deferred revenue	6.3.27	3 810	7 317
Total equity and liabilities		**1 143 655**	**1 062 813**

Off-balance sheet items are described in note 6.3.41

	31 Dec 2017	31 Dec 2016
Book value	651 425	626 268
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 933 984	12 086 113
Diluted number of shares	11 933 984	12 086 113
Book value per share (in PLN)	52.78	50.74
Book value per share (in PLN)*	54.59	51.82
Diluted book value per share (in PLN)**	54.59	51.82

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

Warsaw, 24 April 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

(amounts in PLN 000s, unless otherwise stated)

3. Consolidated statement of profit and loss and consolidated statement of comprehensive income

Statement of profit and loss	Note	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016*
Revenue from sales		**2 576 454**	**2 385 207**
- from subsidiaries		-	-
Revenue from sale of services	6.3.29	55 617	61 654
Revenue from sale of goods and materials	6.3.30	2 520 837	2 323 553
Cost of sales		**(1 840 686)**	**(1 706 311)**
- to subsidiaries		-	-
Cost of manufacture of services sold		(28 627)	(28 489)
Value of goods and materials sold		(1 812 059)	(1 677 822)
Profit on sales		**735 768**	**678 895**
Other operating revenue	6.3.31	11 914	21 423
Selling costs	6.3.32	(621 719)	(572 640)
Administrative expenses	6.3.32	(74 466)	(56 548)
Other operating expenses	6.3.33	(10 201)	(9 428)
Operating profit		**41 296**	**61 702**
Finance income	6.3.35	1 277	946
Finance costs	6.3.36	(4 652)	(1 416)
Profit before tax		**37 921**	**61 232**
Income tax		(3 058)	(10 681)
Current	6.3.37	(5 440)	(5 635)
Deferred	6.3.38	2 382	(5 046)
Profit for the period		**34 863**	**50 551**
Profit for the period attributable to owners of the parent		34 863	50 551

*The Group restated its comparative data as a result of presentation changes (note 6.3.28). The presentation change had no impact on profit amounts.

Profit for the period	**34 863**	**50 551**
Number of shares	12 342 027	12 342 027
Weighted average number of ordinary shares	11 933 984	12 086 113
Weighted average diluted number of ordinary shares	11 933 984	12 086 113
Profit per ordinary share (in PLN)	2.82	4.10
Profit per ordinary share (in PLN)*	2.92	4.18
Diluted profit (loss) per ordinary share (in PLN)**	2.92	4.18

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

(amounts in PLN 000s, unless otherwise stated)

Statement of comprehensive income	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit for the period	**34 863**	**50 551**
Other comprehensive income (not subject to reclassification to results):	(75)	(423)
- Revaluation of employee benefit liabilities	(94)	(522)
- Exchange difference on translation of foreign entities	1	-
- Income tax on components of other comprehensive income	18	99
Comprehensive income for the period	**34 788**	**50 128**
Comprehensive income attributable to shareholders of the parent	34 788	50 128

Warsaw, 24 April 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

(amounts in PLN 000s, unless otherwise stated)

4. Consolidated statement of changes in equity

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Own shares	Retained earnings	Total equity
1 Jan 2017	**12 342**	**419 964**	**99 905**	**-**	**72 766**	**(23 320)**	**44 611**	**626 268**
Prior-period adjustments	-	-	-	-	-	-	(5 411)	(5 411)
1 Jan 2017, adjusted	**12 342**	**419 964**	**99 905**	**-**	**72 766**	**(23 320)**	**39 200**	**620 857**
Comprehensive income for the 12 months ended 31 Dec 2017	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-
31 Dec 2017	**12 342**	**419 964**	**99 905**	**-**	**90 771**	**(27 540)**	**55 983**	**651 425**

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

Warsaw, 24 April 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

(amounts in PLN 000s, unless otherwise stated)

5. Consolidated statement of cash flows

Operating activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit (loss) for the period	**34 863**	**50 551**
Adjusted by:	**64 354**	**40 449**
Depreciation / amortisation	50 793	48 935
(Profit) loss on exchange differences	121	121
Interest and shares of profit (dividends)	1 410	387
Income tax	3 058	10 681
Profit (loss) on investing activities	1 293	(12 388)
Change in provisions	(2 555)	(4 540)
Change in inventories	(16 481)	(18 927)
Change in receivables	(4 962)	2 565
Change in prepayments	(6 054)	(7 114)
Change in current liabilities	44 162	25 335
Other adjustments	(164)	166
Income tax paid	(6 267)	(4 772)
Net cash from operating activities	**99 217**	**91 000**

Investing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	**16 664**	**37 381**
Disposal of property, plant and equipment and intangible assets	15 478	15 801
Disposal of financial assets	-	19 317
Interest received	67	123
Repayment of loans issued	1 119	2 140
Outflows	**(59 909)**	**(65 497)**
Purchase of property, plant and equipment and intangible assets	(58 589)	(56 608)
Purchase of financial assets	-	(7 994)
Borrowings granted	(1 320)	(895)
Net cash from investing activities	**(43 245)**	**(28 116)**

(amounts in PLN 000s, unless otherwise stated)

Financing activities		12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows		**20 000**	**20 149**
Proceeds from equity issuance		-	49
Proceeds from credit facilities and loans		20 000	20 100
Outflows		**(27 039)**	**(40 396)**
Repayment of borrowings		(20 000)	(20 000)
Payment of finance lease liabilities		(1 097)	(1 002)
Interest and fees paid		(1 722)	(582)
Dividends paid		-	-
Purchase of own shares		(4 220)	(18 812)
Net cash from financing activities		**(7 039)**	**(20 247)**

Change in cash and cash equivalents	Note	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Change in cash and cash equivalents		48 933	42 637
Exchange differences		(1)	-
Cash and cash equivalents at the beginning of period	6.3.40	**146 432**	**103 795**
Cash and cash equivalents at the end of period	6.3.40	**195 364**	**146 432**

Warsaw, 24 April 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

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 (the registered office address was changed on 15 April 2016).

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

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

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

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

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

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

Information on consolidation

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

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

During 2017, Emperia Group's structure was subject to changes (compared with the 2016 year-end). Detailed information on this subject is presented in note 6.3.55.

(amounts in PLN 000s, unless otherwise stated)

Emperia Group structure as at 31 December 2017

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 are prepared under the historical cost convention, except for financial assets measured at fair value.

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

6.2.2 Statement of compliance

The consolidated financial statements of Emperia Holding S.A. 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.

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

(amounts in PLN 000s, unless otherwise stated)

3. 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.

Emperia Group's operating segments in 2017:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	2 533 525	68 606	898	36 659	63 234	2 576 454
External revenue	2 533 503	21 210	6	21 735	-	2 576 454
Inter-segment revenue	22	47 396	892	14 924	63 234	-
Total segment costs	(2 513 457)	(40 855)	(13 917)	(33 543)	(64 901)	(2 536 871)
Profit on sales	20 068	27 751	(13 019)	3 116	(1 667)	39 583
Result on other operating activities	2 239	(392)	117	(50)	201	1 713
Result on financing activities	(3 144)	3 343	3 198	(387)	6 385	(3 375)
Gross result	19 163	30 702	(9 704)	2 679	4 919	37 921
Tax	3 024	(6 678)	1 299	(611)	92	(3 058)
Net segment result	**22 187**	**24 024**	**(8 405)**	**2 068**	**5 011**	**34 863**

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment assets / liabilities	621 157	585 513	476 021	16 353	555 389	1 143 655
Goodwill	39 200	-	-	-	-	39 200

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Capital expenditures	(43 916)	(14 138)	-	(1 433)	(898)	(58 589)
Depreciation / amortisation	(39 035)	(11 580)	(350)	(1 494)	(1 666)	(50 793)

Emperia Group's operating segments in 2016:

	Retail	Property	Central management	IT	Consolidation exclusions	Total
Segment revenue	2 338 892	69 704	995	37 649	62 033	2 385 207
External revenue	2 338 880	22 094	(9)	24 242	-	2 385 207
Inter-segment revenue	12	47 610	1 004	13 407	62 033	-
Total segment costs	(2 324 583)	(40 134)	(4 615)	(29 889)	(63 722)	(2 335 499)
Profit on sales	**14 309**	**29 570**	**(3 620)**	**7 760**	**(1 689)**	**49 708**
Result on other operating activities	(523)	12 436	191	(13)	96	11 995
Result on financing activities	(2 490)	1 545	6 426	223	6 174	(470)
Gross result	**11 295**	**43 551**	**2 997**	**7 969**	**4 580**	**61 232**
Tax	(2 901)	(6 615)	693	(1 576)	282	(10 681)
Net segment result	**8 394**	**36 936**	**3 690**	**6 393**	**4 862**	**50 551**

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

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

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 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.

6.2.6 Application of standards and interpretations effective from 1 January 2017

The following standards entering into force from 1 January 2017 are applied in these consolidated financial statements for the first time:

a) Amendments to IAS 7: Disclosure Initiative

The amendment to IAS 7 is in effect for annual periods beginning on 1 January 2017 and introduces mandatory disclosure of changes in liabilities resulting from financing activities.

b) Amendments to IAS 12 related to recognition of deferred tax assets for unrealised losses

The amendment to IAS 12 clarifies requirements related to the recognition of deferred tax assets for unrealised losses concerning debt instruments. The entity is required to recognise a deferred tax asset on unrealised losses if they are the result of discounting cash flows related to a debt instrument using a market interest rate; also if it intends to hold such debt instruments to maturity and at the moment the principal amount is receive no requirement to pay tax will arise. The economic benefits reflected in the deferred tax asset result from the ability of the holder of such instruments to receive future profits (reversing the discounting effect) without the need to pay taxes.

c) Annual improvements to IFRSs 2014-2016

In December 2016, the IASB published Annual Improvements to IFRSs 2014-2016 Cycle, which amend IFRS 12 Disclosure of Interests in Other Entities, among others. These improvements contain clarifications regarding the scope of disclosures and are in effect for annual periods beginning on or after 1 January 2017.

Published standards and interpretations that are not yet in effect and are not applied early by the Group

In these financial statements, the Group did not decide to apply early the following published standards, interpretations or amendments to existing standards prior to their effective date:

a) IFRS 9 Financial Instruments

IFRS 9 supersedes IAS 39. The standard applies to annual periods beginning on or after 1 January 2018.

The standard introduces a single model with only two classifications of financial assets: measured at fair value and measured at amortised cost. Classification is performed on initial recognition and depends on the entity's model for managing financial instruments and the characteristics of these instruments' contractual cash flows.
IFRS 9 introduces a new model for determining impairment losses - expected credit loss model.
Most of the requirements in IAS 39 as regards the classification and measurement of financial liabilities was transferred to IFRS 9 unchanged. The key change is a requirement imposed on entities to present in other comprehensive

income the effects of changes in own credit risk related to financial liabilities measured at fair value through profit or loss.
As regards hedge accounting, the changes were intended to more closely align hedge accounting with risk management.

The Group will apply IFRS 9 from 1 January 2018.

At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRS 9 on its financial statements.

b) Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendment to IFRS 9 applies to annual periods beginning on or after 1 January 2019. Early application is permitted. As a result of the amendment to IFRS 9, entities will be able to measure financial assets with the so called prepayment features with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met -instead of measurement at fair value through profit or loss.

The Group will apply the above changes from 1 January 2019.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers applies to annual periods beginning on or after 1 January 2014.
IFRS 15 is expected to apply to all contracts that generate revenue. The fundamental principle of the new standard is recognition of revenue at the moment that control over goods or services is transferred to the customer, at transaction prices. All goods and services sold in packages that may be singled out should be recognised separately and all discounts and rebates concerning the transaction price should, as a rule, be allocated to the specific elements of the package. If the amount of revenue is variable, under the new standard variable amounts are classified as revenue if there is a high likelihood that the recognised revenue will not be reversed in the future as a result of a revaluation. Moreover, under IFRS 15 costs incurred to acquired and secure a contract with a customer should be capitalised and settled in time through the period in which benefits from the contract are obtained.

The Group will apply IFRS 15 from 1 January 2018.

At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRS 15 on its financial statements.

d) Clarifications to IFRS 15 Revenue from Contracts with Customers

Clarifications to IFRS 15 Revenue from Contracts with Customers were published on 12 April 2016 and are effective for financial statements prepared after 1 January 2018.
The clarifications provide additional information and explanations on the main assumptions made in IFRS 15, including regarding the identification of separate obligations, determining whether an entity is an agent or principal and the means of recognising revenue from licensing.
Aside from additional clarifications, exemptions and simplifications for first time adopters were introduced.

The Group will apply Clarifications to IFRS 15 from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRS 15 on its financial statements.

e) IFRS 16 Leases

IFRS 16 Leases applies to annual periods beginning on or after 1 January 2019.

The new standard establishes rules for recognition, measurement, presentation and disclosures relating to leases. All leasing transactions result in the lessee obtaining a right to use the asset and an obligation to make payment. Thus, IFRS 16 removes the classification as operating lease and financial lease under IAS

17 and introduces a single model for lessees to recognise leases. The lessee will be required to recognise: (a) assets and liabilities for all lease transactions executed for a period of time longer than 12 months, except for situations where a given asset is of low value; and (b) depreciation of the leased asset separate from interest on the lease liability in the statement of profit and loss.
IFRS 16 largely repeats the regulations from IAS 17 regarding lessor accounting. As a consequence, the lessor continues to classify leases as operating and financial and applies different accounting.

The Group will apply IFRS 16 from 1 January 2019.

f) IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB on 18 May 2017 and applies to annual periods beginning on or after 1 January 2021.
The new IFRS 17 Insurance Contracts will replace the existing IFRS 4, which permits various accounting treatments for insurance contracts. IFRS 17 will substantially change accounting for all entities that deal with insurance contracts and investment contracts.

The Group will apply IFRS 17 once it is approved by the European Union.

g) Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment to IFRS 2 applies to annual periods beginning on or after 1 January 2018. The amendment introduces guidelines for fair value measurements of liabilities related to share-based transactions settled in cash, guidelines related to a change in classification of share-based transactions settled in cash to share-based transactions settled in equity instruments, as well as guidelines for recognition of employee tax obligations on account on share-based transactions.
The Group will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRS 2 on its financial statements.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

h) Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments to IFRS 4 Insurance Contracts address the issue of applying the new standard IFRS 9 Financial Instruments. The published amendments to IFRS 4 supplement the existing options listed in standards and are intended to prevent temporary swings in the results of entities in the insurance sector in connection with the introduction of IFRS 9.
The Group will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRS 4 on its financial statements.

i) Annual improvements to IFRSs 2014-2016

In December 2016, the IASB published Annual Improvements to IFRSs 2014–2016 Cycle, which amend 3 standards: IFRS 12 Disclosure of Interests in Other Entities, IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures
These amendments contain clarifications and changes related to the scope of the standards, recognition and measurement as well as terminology and editing changes.

The amendment to IFRS 12 applies to annual periods beginning on or after 1 January 2017. The remaining amendments are mandatory from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of Annual Improvements to IFRSs 2014–2016 Cycle on its financial statements.

j) Amendments to IAS 40: Transfers of Investment Property

Amendments to IAS 40 clarify requirements for transferring to and from investment property. The amendment applies to annual periods beginning on or after 1 January 2018.
The Group will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IAS 40 on its financial statements.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

k) Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendment applies to annual periods beginning on or after 1 January 2019. Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that entities apply IFRS 9 in relation to long-term interests in associates and joint ventures that are not equity accounted. Furthermore, the Council also published an illustrative example for the application of IFRS 9 and IAS 28 requirements to long-term interests in associates and joint ventures.
The Group will apply the above changes from 1 January 2019.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

l) IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting rules for transactions where one entity receives or provides an advance consideration in a foreign currency. The guidelines apply to annual periods beginning on or after 1 January 2018.
The Group will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Group was in the process of calculating the impact of IFRIC 20 on its financial statements.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

m) IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 explains the requirements for recognising and measuring included in IAS 12 in an uncertainty over income tax treatment. The guidelines apply to annual periods beginning on or after 1 January 2019.
The Group will apply the above changes from 1 January 2019.

At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

n) Annual improvements to IFRSs 2015-2017

In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, which amend 4 standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The improvements contain clarifications and explanations for guidelines to standards as regards recognition and measurement.
The Group will apply the above changes from 1 January 2019.

At the date on which these consolidated financial statements were prepared, the changes were not yet approved by the European Union.

o) IAS 19 Employee Benefits

The amendment to IAS 19 applies to annual periods beginning on or after 1 January 2019. Amendments to the standard specify requirements related to the accounting for modification, reduction or settlement of a defined benefit programme.
The Group will apply the above changes from 1 January 2019.
At the date on which these consolidated financial statements were prepared, the change was not yet approved by the European Union.

p) IFRS 14 Regulatory Deferral Accounts

This standard allows entities that prepared IFRS-compliant financial statements for the first time (as of 1 January 2016 or after this date) to recognise amounts resulting from price-regulated activities in accordance with the existing accounting rules. To enhance comparability with entities that already apply IFRS and do not recognise such amounts, under IFRS 14 amounts resulting from price-regulated activities should be presented in a separate position in both the statement of financial position and the statement of profit and loss and the statement of other comprehensive income.

Through a decision of the European Union, IFRS 14 will not be approved.

q) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures

These amendments resolve the issue of current inconsistencies between IFRS 10 and IAS 28. Recognition depends on whether the non-cash assets being sold or contributed to an associate or joint venture constitute a "business."

If such non-cash assets constitute a "business," the investor recognises full profit or loss on the transaction. If such assets do not meet the definition of business, the investor recognises profit or loss excluding the part that constitutes interests of other investors.
The amendments were published on 11 September 2014. The effective date of the amendment regulations has not been set by the IASB.

At the date on which these consolidated financial statements were prepared, approval of these amendments by the European Union had been deferred.

Earlier application of standards and applications:

The Group decided against the early application of the new standards and interpretations that will enter into force after the end of the reporting period.

Impact of the above standards on the entity's financial statements

The Group is currently analysing the impact of each of the standards on its consolidated financial statements.

6.2.7 Significant accounting estimates and judgements

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 had a significant importance to these consolidated financial statements:

Economic life-cycle of property, plant and equipment
Non-current assets, comprising mainly property, plant and equipment and intangible assets, constitute a major part of the Group's assets. Changes in the intended purpose of these assets, technological progress and factors that the Group has no influence over (e.g. market conditions) might result in a change of the adopted economic life-cycles. Each year, the Group verifies estimates concerning economic life-cycles for all categories of non-current assets, taking into consideration the following: physical usage, technological ageing, intensity of operation, life-cycles

of similar assets, expected period in which economic benefits from the asset will be obtained.

Measurement of employee benefit provisions

As regards employee benefits, the Group's companies are not a party to any remuneration agreements or collective labour agreements and does not have employee pension programmes.

The Companies estimate their employee benefit provisions post-retirement and likely costs. The present value of employee benefit liabilities depends on several factors specified using actuarial methods and using certain assumptions. The main assumptions concerning employee benefit provisions and an analysis of the sensitivity of measurement results to changes in these assumptions are presented in note 6.3.23.

Furthermore, the Group makes estimates for other employee benefits: untaken holidays, unsettled overtime, bonuses and awards payable after the reporting period.

Impairment of trade receivables

Impairment of trade receivables is recognised when there is objective proof that the Group will not be able to receive all due amounts as per the original terms of the transaction. Indications that trade receivables are impaired can include: debtor's serious financial problems, likelihood that the debtor will declare bankruptcy or will seek an arrangement procedure, significant delays in payment. Impairment of receivables is recognised using an individual assessment of the realness of the receivable, taking into consideration collateral and the degree of risk for each receivable.

Detailed information about impairment of trade receivables is presented in note 6.3.14.

Impairment tests for goodwill and interests in subsidiaries

A cash-generating unit where goodwill is assigned is subject to annual impairment testing. Impairment tests for investments in subsidiaries are conducted when there are indications of potential impairment. Impairment tests are conducting using discounted cash flows based on financial projections. Financial forecasts for cash-generating units are based on a number of assumptions, some of which are beyond the Group's control. A description of assumptions for goodwill impairment tests are presented in note 6.3.7.

Measurement of inventories

At the balance sheet date, commercial goods inventories are measured according to purchase prices, not lower than the net realisable values. The Group individually assesses the usefulness of inventories, taking into account quantity of goods, turnover and historic data. Based on such analysis and the application of estimates and judgements, impairment losses on inventories are recognised up to the amounts that the Group expects to receive in the future from the sale of these assets.

Moreover, the value of inventories as at the balance sheet date is reduced by a portion of the value of discounts received from suppliers that pertains to unsold goods.

Detailed information about impairment of inventories is presented in note 6.3.13.

Deferred income tax assets and liabilities (including the likelihood that a deferred income tax asset will be realised)

Preparing financial statements involves, among other things, estimated of the Companies' tax results by their respective management boards. This process includes an assessment of the present tax situation and an estimation of the temporary differences being the consequence of diverging tax and balance sheet approaches. The result of temporary differences is either a deferred tax asset (in the case of negative differences) or a provision (in the case of positive differences). Negative temporary differences and tax losses that can be deducted from income in future periods indicate that the income tax base will be reduced in the future. Calculating deferred tax assets is thus based on the likelihood that the entity will generate taxable income in the future that will make it possible to offset negative temporary differences and tax losses. Estimates based on results generated in previous reporting periods and forecasts for future tax profits are required to measure deferred tax assets. Detailed information about deferred income tax assets and liabilities is presented in notes 6.3.11 and 6.3.24.

Provisions

The Group recognises provisions when there is a present legal or customarily expected obligation on the company resulting from past events and it is likely that meeting this obligation will result in an outflow of resources containing economic benefits and this obligation may be reliably estimated. The Group recognises provisions based on the best estimates from Group companies' management boards of expenditures necessary to meet the present obligation as at the balance sheet date. Information on provisions is presented in note 6.3.23.

6.2.8 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.

6.2.9 Property, plant and equipment

The Group recognises individual usable items that fulfil IAS 16 criteria as property, plant and equipment if their acquisition price (cost of manufacture) is at least PLN 1 000, with the following exceptions in particularly:

- computer equipment,
- pallet trucks,
- store carts,
- high bay pallet racks,
- lockers,

which, given the specific nature of the Company's operations and their high volume, constitute a significant asset group, the Group recognises as property, plant and equipment regardless of the purchase price (cost of manufacture).

Again due to the nature of the Company's operations, the following are not classified as property, plant and equipment, even though they meet the value criteria:

- office furniture,
- PVC curtains,

for which the value criterion was established at PLN 3 500 .

Property, plant and equipment items are recognised at purchase price or cost of manufacture less depreciation and impairment.

The Group's property, plant and equipment also includes property, plant and equipment under construction and investments in third-party tangible assets and acquired rights to perpetual usufruct of land.

The initial value of property, plant and equipment includes the purchase price less any costs directly related to the purchase and adaptation of a given asset for commercial use. A portion of borrowing costs is included in the initial value.

The cost of upgrades is included in the carrying amount of property, plant and equipment if it is probable that economic benefits will flow to the Group, and upgrade costs may be reliably measured. All other expenses related to property, plant and equipment repairs and maintenance are recognised in the statement of profit and loss (as costs appropriate to these assets' function) in the reporting period in which they are incurred.

Land is not subject to depreciation. Other property, plant and equipment items are depreciated throughout their useful economic life. Straight-line depreciation is used, starting from when the asset is entered into use.

The Group has adopted the following periods of useful economic life for the particular groups of property, plant and equipment (period of right granted or expected use):

- Buildings and structures: 10 to 40 years
- Technical equipment and machinery: 5 to 10 years
- Computer equipment: 1.5 to 5 years
- Means of transport: 5 to 7 years
- Other: up to 10 years

The Group verifies periodically, but at least at the end of each financial year, the adopted periods of useful

economic life for property, plant and equipment, residual values and depreciation approach, and the resulting changes in these estimates are applied in subsequent financial years (prospectively).
Due to the specific nature of its operations, the Group frequently incurs expenditures on investments in third-party facilities. This applies to leased warehousing and retail facilities. For these assets, the Group specifies periods of useful economic life of expenditures in line with the lease period. If a lease contract is not renewed, the depreciation period is extended.
At the end of each reporting period, the Group tests property, plant and equipment for impairment and the necessity to recognise impairment losses. This happens when the Group gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower.
Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.
Upon the sale of an item of property, plant and equipment, its initial value and accumulated depreciation are taken off the books, and the result of the disposal is recognised through profit or loss under other operating revenue or other operating costs. The result on the sale of property, plant and equipment is recognised, after offsetting, through profit or loss.
Regardless of whether a given asset constitutes a single item of property, plant and equipment, its elements may have different periods of useful economic life. If certain criteria are met as regards the recognition of property, plant and equipment, all of the costs of such an item may be divided into its elements, recognising each one separately (components). Such recognition necessitates, however, the application of depreciation rates appropriate to the useful period of a given component, taking into consideration its period of useful economic life.
In other cases, expenses connected with the use of property, plant and equipment, together with the replacement of components, are recognised in the statement of profit and loss upon incurrence.

6.2.10 Borrowing costs

Borrowing costs are capitalised as part of the cost of manufacture of property, plant and equipment, investment properties and intangible assets. Borrowing costs comprise interest calculated using effective interest rates, finance lease liabilities and exchange differences arising in connection with external financing up to an amount corresponding to the correction of interest costs.
Proceeds from investments resulting from short-term investing of external borrowed funds intended for the purchase or manufacture of an asset being adapted decrease the value of borrowing costs which are subject to capitalisation.
An asset being adapted is an asset which requires a substantial amount of time in order to bring it to working condition for its intended use. The substantial amount of time in order to bring an asset to working condition for its intended use is understood by the Group to be 12 months.
Commissions on long-term financing raised by the Company are settled over time at adjusted purchase price (amortised cost) using effective interest rates and with application of the materiality principle.

6.2.11 Non-current assets held for sale

The Group classifies non-current assets as held for sale (or disposal groups) if their carrying amount will be recovered through sale rather than through further use. This condition is met when there is a high likelihood that a sale transaction will take place and the asset (disposal groups) in its current form is available for immediate use. Classification of non-current assets as held for sale assumes the management's intent to complete the sale transaction within one year from the reclassification date. Non-

current assets held for sale (or disposal groups) are measured at the lower of carrying amount and fair value less costs to sell.
If the fair value is lower than the carrying amount, the difference is recognised as an impairment loss in the profit and loss statement. The reversal of an impairment loss is also done through the profit and loss statement, up to the amount of the impairment loss.

6.2.12 Intangible assets

Intangible assets are recognised at purchase price adjusted by amortisation and impairment losses.
The Group has adopted the following periods of useful economic life for the particular groups of intangible assets:

- Trademarks and licences - 5 years
- Computer software and author's rights - 2 to 5 years
- Property rights - 5 years

Straight-line depreciation is used, starting from when the asset is entered into use.
Amortisation of intangible assets through profit or loss is recognised in the costs appropriate to the function performed by such assets (administrative expenses, distribution costs, other operating expenses).
Intangible assets not yet handed over for use (in progress) may be recognised at the end of the reporting period. Intangible assets that have not yet been handed over for use are not subject to amortisation, but are tested for impairment.
Intangible assets with undefined useful periods (concerns especially trademarks) and goodwill may be recorded as intangible assets. Goodwill and intangible assets with undefined useful periods are not subject to amortisation. However, they are tested for impairment annually.
Intangible assets acquired through a merger are recognised separately from goodwill, provided that they meet the definition of intangible assets and their value can be reliably established. After initial recognition at fair value, in subsequent reporting periods these intangible assets are treated in the same manner as intangible assets acquired in other transactions.
Goodwill arising on the acquisition of an economic entity is the difference between the cost of the acquisition and the fair values of the acquired assets, liabilities and identifiable contingent liabilities. After initial recognition, goodwill is carried at purchase price less impairment. Goodwill is tested annually or more often to see if there is no indication that it is impaired. In order to perform an impairment test on goodwill, goodwill is allocated to the cash generating unit in which it arose.
Purchased computer software is capitalised up to the amount of costs incurred to purchase, prepare and implement it. Costs connected with development and maintenance of computer software are recognised as costs on the date when they were incurred.
The Group verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for intangible assets, the residual values and amortisation approach, and the resulting changes in these estimates are applied in subsequent years (prospectively).
At the end of each reporting period, the Group also tests intangible assets for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower. Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.
Impairment losses are recognised as costs appropriate to the functions performed by the given intangible asset in the period in which impairment was identified, however no later than at the end of the financial year. If the Company gains sufficient certainty that the reason for recognising the impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through recognition of revenue.

The item of intangible assets is derecognised from the balance sheet when it is sold or when it is no longer expected to yield economic benefits. Gain or loss on the sale/liquidation of intangible assets is established as the difference between net proceeds from the sale (if applicable) and the balance sheet value, and is recognised in other operating revenue or other operating costs.

6.2.13 Property investments

Investment properties are those properties that the Company considers as lease income sources or maintains them due to their growing value, or both of these benefits at the same time. On initial recognition, investment properties are measured at purchase price or cost of manufacture. The measurement takes into consideration transaction costs. The purchase price for investments in properties acquired as a result of a merger is equal to their fair value at transaction date. As at the end of the reporting period, investment properties are measured at purchase price or cost of manufacture less accumulated amortisation and impairment losses.

Depreciation of investment properties (excluding land) is recognised using the straight-line approach throughout the useful period of a given tangible asset.

The Group has adopted periods of useful economic life for investment properties in accordance with the period of right granted or expected use: 10 to 40 years.

The Group verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for investment properties, the residual values and amortisation approach, and the resulting changes in these estimates are applied in subsequent years (prospectively).

At the end of each reporting period, the Group also tests investment properties for impairment and the necessity to recognise impairment losses. This happens when the Group gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower.

Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.

Upon the sale of an investment property, its initial value and accumulated depreciation are taken off the books, and the result of the disposal is recognised through profit or loss under other operating revenue or other operating expenses. The result on sale is recognised, after offsetting, through profit or loss.

6.2.14 Financial assets

Investments and other financial assets covered by IAS 39

Investments and other financial assets covered by IAS 39 are assigned to the following categories:

a) Financial assets carried at fair value through profit or loss:
b) Loans and receivables,
c) Investments held to maturity,
d) Available-for-sale financial assets

On initial recognition, a financial asset is measured at fair value, increased, in the case of a component of assets not classified as measured at fair value through profit or loss, by transaction costs, which can be directly attributed.

Classification of financial assets occurs at initial recognition and - where permissible and appropriate - is subsequently verified at the end of each financial year.

a) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss cover assets held for trading and financial assets

which upon initial recognition were reclassified to the category of assets carried at fair value through profit or loss.
Financial assets are classified as held for trading if they may be purchased for further sale in the short-term. Derivatives are also classified as held for trading unless they are effective hedging instruments or financial guarantee contracts. Profit or loss on investments held for trading is recognised in the statement of profit and loss.

On initial recognition, financial assets may be classified in the category 'at fair value through profit or loss' if the following criteria are met:

- such qualification eliminates or significantly lowers inconsistencies in recognition when both the measurement and means of recognition of profit and loss are subject to different regulations; or
- the assets are part of a group of financial assets which are managed and evaluated on the basis of fair value in accordance with a documented risk management strategy; or
- the financial assets have embedded derivatives, which should be recognised separately.

b) Loans and receivables

Loans and receivables are financial assets, other than derivatives, that have defined maturities and are not traded on an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest rate approach.
Loans and receivables are classified as current assets if they mature in less than 12 months from the end of the reporting period, or as non-current assets if they mature in more than 12 months away from the end of the reporting period.

c) Investments held to maturity

Financial assets other than derivatives whose payments are or can be defined and which have defined maturities, and towards which the Company has a clear intent and is able to hold them to maturity are classified as investments held to maturity are classified as investments held to maturity.
Investments which the Company intends to hold for an indefinite period of time are classified in this category. Other non-current investments that the Company intends to hold to maturity, such as bonds, are measured at amortised cost.
Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount, as calculated using the effective interest rate method.
Amortised cost covers all commissions and interest paid and received by the parties to a contract such as are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
The profit or loss on investments carried at amortised cost is recognised in the statement of profit and loss when the investment is removed from the balance sheet (derecognition) or upon identifying impairment or if depreciation is completed.
The same principles apply to non-current investments in property as to non-current assets. As regards non-current investments in property, plant and equipment, the effects of the activities connected with determining financial results, such as: sale, liquidation, maintenance costs should be recognised as operating revenue or operating expenses.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivatives such as are designated as available for sale, and those other than:

- loans and receivables,
- investments held to maturity, or
- financial assets carried at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value using various measurement approaches. Gains or losses on available-for-sale investments are recognised in comprehensive income.

Fair value measurement

The Company measures financial assets, such as available-for-sale instruments, at fair value on each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured on the assumption that in establishing a price for the asset or liability market participants act in their best interest.

Fair value hierarchy

The Company categorises the inputs used in valuation techniques into three levels, based on assessment of their availability:
- Level 1 inputs are quoted prices (non-adjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

Impairment of financial assets

Each financial asset or group of financial assets is evaluated as to whether there is objective proof of impairment at the end of each reporting period.

If such proof is available in the case of available-for-sale financial assets, accumulated losses recognised in equity - i.e. the difference between the purchase price and the current fair value, less any impairment previously recognised in other comprehensive income - are excluded from equity and recognised in the statement of comprehensive income.

Impairment losses are recognised in the statement of profit and loss, and those concerning equity instruments are not subject to a reversal corresponding with the statement of profit and loss. The reversal of an impairment loss on debt instruments is recognised in the statement of profit and loss if - during reporting periods subsequent to the recognition of an impairment loss - the fair value of these instruments increases as a result of

If objective proof exists as to the possibility for impairment of loans and receivables and investments held to maturity, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value estimated using future cash flows discounted using the effective interest rate for these assets (i.e. the effective interest rate calculated upon initial recognition - for assets based on a fixed interest rate, and the effective interest rate determined at the last revaluation of assets, if those are based on a variable interest rate). Impairment losses are recognised in the statement of profit and loss. An impairment loss is reversed if it decreased in subsequent periods and such a decrease may be due to events taking place after the impairment loss is recognised. Following the reversal of an impairment loss, the carrying amount of a financial asset may not exceed its amortised cost such as would be calculated if the impairment loss was not originally recognised. The reversal of an impairment loss is recognised in the statement of profit and loss.

If there are indications of an impairment loss on equity instruments not quoted on an active market such as are measured at purchase price (due to there being no reliable way of determining fair value), the amount of an impairment loss is calculated as the difference between the asset's carrying amount and the present value estimated using future cash flows discounted using the current market rate of return of similar financial assets. Such impairment losses are irreversible.

Derivative instruments

Derivatives are measured at fair value as at the end of the reporting period. Derivatives with fair value above zero constitute financial assets and are recognised as such, and derivatives with negative fair value constitute financial liabilities and are recognised as financial liabilities.

Estimated fair value corresponds with the recoverable amount or amount which must be paid in order to close an outstanding position as at the end of the reporting period. Measurement is based on market prices.

Recognition of the effects of changes in fair value or profit and losses on realising derivatives depends on their purpose. Derivatives are classified as either hedging instruments or trading instruments. There are two types of hedging instruments: fair value hedges and cash flow hedges.

6.2.15 Investments in subsidiaries and associates

Subsidiaries are entities directly or indirectly controlled by the Company. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the shares or voting rights of the entity.

An associate is an entity over which the Company has significant influence but not control. In this case, the Company holds a significant, but not a majority, interest in the entity (20%-50%).

All Emperia Group companies are subsidiaries.
The purchase of a subsidiary by the Group is accounted for using the acquisition method. The purchase cost is established at the fair value of the payment, recognised value of non-controlling interests in the acquired entity and the fair value of equity held in the acquired entity, less the net value (fair value) of acquired identifiable assets and assumed liabilities. Identifiable assets acquired and liabilities and conditional liabilities assumed in a merger of economic entities are initially measured at fair value at the acquisition date regardless of any non-controlling interests. The excess of purchase price over the fair value of the Group's share in net acquired identifiable assets is recognised as goodwill. If the purchase cost is lower than the fair value of the acquired entity's net assets, the difference is recognised directly in the statement of comprehensive income. Transaction costs are recognised in the statement of profit and loss when they are incurred.
All transactions, balances, revenues and costs between related parties subject to consolidation are fully eliminated from consolidation.

The carrying amounts of such investments are subject to impairment testing. Any identified impairment is recognised in the statement of profit and loss as finance costs. Reversal of an impairment loss is recognised in the statement of profit and loss as finance income and occurs upon changes in the estimates used to determine the Company's rate of return on investment.

When control is lost, the Group ceases to recognise such subsidiary's assets and equity and liabilities as well as non-controlling interests and other equity components related to this subsidiary. Excesses or shortages arising as a result of a loss of control are recognised in present-period profit or loss.

Dividends received from such investments are recognised in the statement of profit and loss as finance income upon establishing the right to dividend.

Mergers of entities under joint control are recognised at book value (historic, resulting from the consolidated financial statements of the parent, which prepares consolidated financial statements). The merging entities were also covered by joint controlled prior to the transaction and their merger does not give rise to changes in their net assets or goodwill.

6.2.16 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. The object of a lease is recognised as an asset from the inception of the lease at the lower of fair value of the leased object and present value of minimum lease payments.
Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest component of a finance lease payment is recognised in the statement of profit and loss as finance cost throughout the lease term.
Assets acquired under finance leases that are subject to depreciation are depreciated throughout their useful periods, with consideration given to their residual value, or lease term, depending on which is shorter.
A lease is classified as an operating lease if substantially all the risks and rewards incident to ownership remain with the lessor (the financing entity). If the title to land is not expected to be

transferred to the lessee before the end of the lease term, the lease is classified as an operating lease.
Lease payments under operating leasing (after accounting for any special promotional offers from the lessor - financing party) are accounted for using the straight-line approach throughout the lease term.

6.2.17 Inventories

The Group's inventories are as follows:

- materials
- goods

Inventory items are measured at purchase prices. Because they are insignificant, the Group does not include transport costs in purchase prices. The FIFO principle is used in respect to inventory items.
At the end of the reporting period, inventory is recognised at purchase price that may not, however, be higher than its net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.
The Group recognises impairment losses on inventory based on the inventory turnover ratio and an assessment of the possibility to sell such inventory before its expiry or during its economic life. The recognition of a new impairment loss and reversal of a previously created impairment loss are recognised as operating expenses (cost of sales) in the statement of profit and loss.
The rounding of prices related to purchases of goods inventories (resulting from different units of measurement for goods used by the seller and buyer) are recognised directly in the statement of profit and loss, as cost of sales.
Rebates and bonuses received from suppliers that are tied to goods turnover are settled by the Group in proportion to the goods sold as a decrease in the cost of goods sold and a decrease in the value of goods inventories.
Stock losses and a negative balance of inventory deficits regarded as unintentional are recognised directly as selling costs.

6.2.18 Trade and other receivables

Receivables are carried at amortised cost less impairment. Non-recoverable receivables are recognised as other expenses at the date on which they are classified as non-recoverable.
Impairment of receivables is recognised when there is objective proof that the Group will not be able to receive all due amounts as per the original terms of the receivable.
The Group recognises impairment losses on receivables for specific counterparties. An impairment loss is recognised in the books under other expenses. The reversal of a previously created impairment loss is recognised as other revenue and releases the impaired amount. Impairment losses in the statement of profit and loss are offset and recognised as either other expense or other revenue.
Receivables with a payment term of up to 12 months and receivables concerning collateral are recognised in the amount due.
In consideration of the prudence principle, interest on late payment of receivables is recognised when the Company receives the funds.
All advance payments such as those concerning future goods and services, production in process, payment for shares, purchase of intangible assets and others are recognised as other receivables.

6.2.19 Prepayments and deferred revenue

The Group recognises prepayments if the expenses concern subsequent periods after the period in which they are incurred.
The Group's most significant prepayment items are as follows: prepaid rent, compensation fees (amounts paid to take over a store site from the previous lessee), insurance and subscriptions.
The Group classified prepayments as either short-term or long-term (those which will be realised in a period longer than 12 months from the end of the reporting period). In the statement of financial position, prepayments are presented as a separate asset item.
Deferred revenue constitutes funds received for future considerations. In the statement of financial position, deferred revenue is recognised in a separate liability item.

Deferred revenue from loyalty programmes

The Group operates loyalty programmes for Stokrotka chain's retail clients. They are intended to make sales more attractive and gain client loyalty.
Loyalty programmes give clients points for purchases that can later be exchanged for prizes or used to purchase certain goods at lower prices.
According to IFRIC 13, the Group separates the initial goods sales transaction into the value of the loyalty programme and other sales value. The part of revenue corresponding to loyalty programmes is deferred in time as deferred revenue until the programme's terms are met. The remaining part of revenue is recognised in the statement of profit and loss upon the initial transaction.
The amount assigned to loyalty points is measured at fair value and recognised as deferred revenue until the points are used (prize is collected) or they expire. When measuring this value, the Group takes into account: the expected rate of points use and expected structure of prizes collected, which has an impact on the weighted average fair value of one premium point.
Amounts of deferred revenue related to loyalty programmes are presented in note 6.3.27.
All indirect costs of a loyalty programme such as: advertising costs, remuneration costs, prize-related costs, other service costs, are accounted for as costs of the present period and have no impact on the amount of deferred revenue.

6.2.20 Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, cash in bank accounts and all deposits and short-term securities with maturities of up to three months. At the end of the reporting period, cash and cash equivalents are recognised at nominal value.

6.2.21 Equity

The Company's equity comprises:

- share capital
- supplementary capital
- reserve capital
- own shares
- retained earnings

Share capital is recognised in the amount specified in the articles of association and in the National Court Register.

Emperia Holding S.A.'s supplementary capital is divided into the following categories:

- share premium provision - the premiums received from share issues, less issue costs,

- supplementary capital - created from profit generated in successive years in an amount equal to at least 8% of the given financial year's profit until supplementary capital reaches one third of share capital,
- management options provision - established in connection with management options programmes.

Emperia Holding S.A.'s reserve capital is divided into the following categories:

- reserve capital - intended to cover extraordinary losses or expenditures, created from profit generated in successive years,
- revaluation reserve - comprises the net difference of measured net restated non-current assets,

Own shares purchased by the Company are recognised at purchase price, increased by costs directly connected with their purchase. The purchase and redemption of own shares are presented as a change in equity. In the statement of financial position, own shares are presented as a separate item reducing equity (with a negative sign).

Retained earnings cover the following categories:

- unallocated profit or outstanding losses brought forward (accumulated profit / losses from prior years),
- correction of prior-year errors,
- actuarial gains (losses),
- current-period result.

6.2.22 Net earnings per share

Net earnings per share are calculated for each reporting period through dividing the net profit generated in the period by the weighted average number of shares in that period.

6.2.23 Credit facilities

Credit facilities are recognised at fair value less acquisition costs. In subsequent periods, credit facilities are measured at amortised cost using the effective interest rate method.

Long-term credit facilities are those facilities with maturities longer than 12 months from the end of the reporting period.

6.2.24 Provisions

The Group recognises provisions if there is an expected present, legal or customary obligation of a likely payment to arise, resulting from past events. There must be a higher likelihood that an outflow will be required in order to meet the obligation than that it will not be required, and its amount should be reliably estimated.
Receivables provisions are recognised as operating expenses or other operating expenses.
If there is a likelihood that a part or all of the economic benefits required to settle the provision may be recovered from a third party, the receivable is recognised as an asset, provided that the likelihood is sufficiently high and that it can be reliably estimated.

In the event that the time value of money is substantial, the size of the provision is determined through discounting future cash flows to present value using a gross interest rate reflecting the current market valuations of the time value of money and any risk associated with the given obligation. If discounting is applied, increasing the provision with

passage of time is recognised as finance costs.
The amount of provisions created is verified and updated at the end of each reporting period in order to adjust estimates to the company's present level of knowledge.

Provisions in the financial statements are presented as either current or non-current.

6.2.25 Liabilities

Liabilities are present obligations as a result of past events, the settlement of which is expected to result in an outflow of resources (payment).
Non-current liabilities are liabilities that fall due for payment after more than 12 months from the end of the reporting period. Non-current liabilities particularly include: credit liabilities, loan liabilities and finance lease liabilities. At the end of the reporting period, non-current liabilities are measured at amortised cost using the effective interest rate method.
Current liabilities are liabilities that fall due for payment within 12 months from the end of the reporting period. Current liabilities include in particular: trade payables, credit liabilities, loan liabilities, wages and salaries, taxes, excise duties, insurance and other benefits. In the case of liabilities that fall due for payment within 12 months, discount is excluded due to its insignificance. Trade payables are recognised at nominal value. Interest is recognised upon receipt of bills from suppliers.
Non-financial liabilities are measured at the amount due.

6.2.26 Employee benefits

6.2.26.1 Employee benefits

Company employees acquire rights to benefits which will be paid out once they obtain certain entitlements.

Employee benefits are divided into the following categories:

- post-employment benefits:
  - one-off retirement allowances,
  - one-off disability allowances,

- other employee benefits:
  - untaken holidays,
  - outstanding overtime,
  - bonuses and awards payable after the reporting period,
  - redundancy costs.

Employee benefit provisions are created in order to allocate costs to relevant periods.

Post-employment benefits

In accordance with occupational remuneration schemes, all of the Company's employees are entitled to retirement/disability allowances on the terms specified in art. 92 of the Polish Labour Code, equal to one month's basic salary. Retirement/disability allowances are paid on a one-off basis when the employee retires (claims disability). The Company recognises provisions corresponding to the present value of these liabilities as of the end of the reporting period. The value of liabilities associated with these benefits is estimated at the end of the reporting period by an independent actuarial advisory firm using the forecast unit benefit method.
To calculate the value of these provisions, assumptions (estimates) are made with regard to the following: employee mortality, incapacity for work, employee turnover, retirement age, temporary staff, employees in the period of notice with known contract termination date, discount rate and remuneration growth rate.
Cost components of post-employment benefits include:

- Current service cost is the growth in the present value of liabilities related to defined benefits arising on work being performed by employees in the present period,
- Past service cost is the growth in the present value of liabilities related to defined benefits for work performed by employees in previous periods, such as arise in the present period as

a result of introducing post-employment benefits or other long-term employee benefits, or as a result of a change in these benefits. Past service costs may be either positive (when benefits are introduced or changed to more favourable ones) or negative (when existing benefits are decreased),

– Net interest on net defined benefit liabilities is the change in net defined benefit liabilities during the reporting period due to the passage of time,
– Actuarial gains and losses include:
  - experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and
  - changes in actuarial assumptions

Cost components of post-employment benefits include:

– current and past service costs - as operating costs,
– net interest on net liabilities resulting from a change in the value of a provision to reflect the passage of time - as finance costs,
– actuarial gains/losses resulting from changes in actuarial assumptions - as other comprehensive income recognised through prior-period profit or loss (together with tax effect).

Provisions for post-employment benefits may be current or non-current liabilities.

Other employee benefits

Other employee benefits include:

– untaken holidays - expected liabilities arising as a result of untaken holidays during the present and previous years, which accrued at the balance sheet date,
– outstanding overtime - unsettled overtime liabilities (settled in settlement periods) at the end of the reporting period,
– bonuses and awards payable after the reporting period - for achievement of corporate and individual goals during the reporting period,
– redundancy costs - the costs of allowances and potentially additional employee benefits during the notice period.

Provisions for other employee benefits are also increased by social security contributions and the Workplace Fund and Wage Guarantee Fund in effect on the balance sheet date.
Provisions for other employee benefits are recognised as current benefits and presented under operating costs (as selling costs or administrative expenses, respectively).

6.2.27 Income tax

Income tax includes: current tax (payable) and deferred tax.

a) Current tax

Current tax liabilities are calculated on the basis of the tax result (tax base) of a given financial year.
Tax profit (loss) differs from balance sheet profit (loss) in connection with the exclusion of taxable income and expenses that are deductible in subsequent years as well as cost and revenue items that will never be taxed. The burden of the current portion of income tax is calculated using tax rates effective for a given financial year.

b) Deferred tax

Deferred income tax liabilities constitute tax which is payable in the future and is recorded in the balance sheet in its full amount, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts.
Deferred income tax assets constitute tax which is to be returned in the future and is calculated using the balance sheet method, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised.
Basic temporary differences concern the differences between the carrying amount and tax base of assets

and liabilities settled in time.
Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax is recognised in the statement of profit and loss, and - if related to equity-based payments - in equity.

Deferred income tax assets and liabilities are recognised in the balance sheet as non-current assets and liabilities.

6.2.28 Revenue from sales

Revenue from sales is recognised when it is sufficiently probable that any future economic benefit associated with the item of revenue will flow to the Company, and the amount of revenue can be measured with reliability, and costs connected with the transaction can be measured with reliability.
Revenue from sales is recognised at the fair value of consideration received or receivable, less tax on goods and services and any discounts. Revenue is the gross inflow of economic benefits arising during the Company's ordinary course of business.
Revenue from activities indirectly related to the Company's ordinary course of business, such as gains on disposal of non-financial non-current assets, penalties and damages, reimbursements, is recorded in other operating revenue. Proceeds from disposal of financial assets, dividends and interest income derived from financial instruments are recognised in finance income.

Revenue from sale of goods

Revenue from retail sales is recognised when the product is sold to the customer. Retail sales are usually in cash or by payment cards. Card fees are recognised as selling costs.

Revenue from sale of services

Main categories of revenue from the sale of services constitute lease services and IT services.
Revenue from the sale of services is recognised when service is provided and approved by the buyer. If contractually permitted, recognition of revenue on partial delivery of service is possible, as specified in a separate agreement.

Revenue from sale of marketing services

The Group generates revenue from the sale of marketing services, which is calculated based on a percentage of the value of goods sold, which de facto constitutes rebates received from suppliers. In order to reliably reflect the economic content of transactions, the value of this revenue decreases the cost of goods sold.

Interest income

Interest income is recorded on an accrual basis if there is sufficient certainty that the receivable will be recovered. In retail, due to its specific nature, interest serves a different function, so for the most part it is recognised as revenue on an accrual basis.

6.2.29 Costs

Costs constitute a probable decrease in economic benefits during the reporting period as either a decrease in assets or increase in liabilities and provisions, which reduce equity or increase equity shortfall in a manner other than withdrawal by shareholders.

The Company recognises costs in the statement of profit and loss based on direct or indirect connection between the costs and revenue generated, with the application of the matching principle, and using prepayments and accruals for this purpose.

The Company classifies expenses by nature and by cost centre. The main cost reporting model is classification by function.

Cost of goods and materials - covers the costs directly incurred to obtain goods and materials sold and corresponds with the revenue generated from the sale of these items.

Cost of services – covers expenses directly connected with provision of services.

Selling costs – covers expenses connected with the selling and distributing of goods and services.

Administrative expenses – covers costs incurred in connection with general company operations other than those classified as other operating expenses or finance costs.

Other operating costs – covers costs indirectly related to the Company's activities, e.g. losses on the sale of non-financial non-current assets, impairment of non-current assets, impairment of receivables, damages, compensation, donations

Finance costs – covers among other things: costs connected with financing the Group's activities (interest), costs related to the impairment of financial assets, guarantee costs, bank fees and commissions.

6.2.30 Foreign-currency transactions and exchange differences

Transactions expresses in foreign currencies are recognised in the Group's functional currency (PLN), using the exchange rate in effect on the transaction date.

At the end of each reporting period:

- cash items expressed in foreign currency are translated using the closing rate;
- foreign-currency non-monetary items carried at historic cost are translated using the exchange rate in effect on the transaction date, and
- foreign-currency non-monetary items carried at fair value are translated using the exchange rate in effect on the date on which fair value was measured.

Gains and losses from settlement of foreign-currency transactions and measurement of monetary balance sheet assets and liabilities expressed in foreign currencies are recognised in the statement of profit and loss as finance income or finance costs, respectively.

Exchange differences are presented after offsetting.

(amounts in PLN 000s, unless otherwise stated)

6.3 Additional explanatory notes

6.3.1 Property, plant and equipment

	31 Dec 2017	31 Dec 2016
Land, including:	78 382	73 470
Perpetual usufruct rights	*19 399*	*8 160*
Buildings and structures	206 636	201 124
- including: investments in third-party tangible assets	*47 745*	*57 635*
Technical equipment and machinery	72 870	72 870
Means of transport	8 568	7 108
Other PP&E	31 697	30 314
PP&E under construction	5 537	1 980
Net property, plant and equipment	**412 182**	**386 866**

PP&E under construction	**31 Dec 2017**	**31 Dec 2016**
Land, including:	69	9
Perpetual usufruct rights	-	-
Buildings and structures	3 109	1 285
Technical equipment and machinery	1 863	570
Means of transport	225	4
Other PP&E under construction	271	112
Total property, plant and equipment under construction	**5 537**	**1 980**

(amounts in PLN 000s, unless otherwise stated)

6.3.2 Change in property, plant and equipment

2017	land (including right to perpetual usufruct of land)	buildings, premises, civil engineering structures	technical equipment and machinery	means of transport	other PP&E	other production in progress	total property, plant and equipment
a) gross value of property, plant and equipment at the beginning of period	**74 776**	**331 999**	**168 712**	**12 718**	**104 487**	**1 980**	**694 672**
b) increases (due to)	5 377	21 897	27 115	4 781	10 148	44 721	114 039
purchase	-	*501*	*17 779*	4 677	6 768	44 721	74 446
transfer from production-in-progress	5 377	*21 391*	*9 330*	104	3 379	-	39 581
Other	-	*5*	*6*	-	1	-	12
c) decreases (due to)	(489)	(5 283)	*(15 221)*	(1 907)	(14 100)	(41 164)	(78 164)
sale	(54)	*(5 264)*	*(5)*	(1 460)	(1)	(27)	(6 811)
liquidation (scrapping)	-	-	*(15 215)*	(447)	(14 099)	-	(29 761)
transfer to non-current assets	-	-	-	-	-	(41 136)	(41 136)
other	(435)	*(19)*	*(1)*	-	-	-	(455)
d) gross value of property, plant and equipment at the end of period	**79 664**	**348 613**	**180 606**	**15 592**	**100 535**	**5 537**	**730 547**
e) amortisation as at the beginning of period	**1 306**	**123 015**	**95 842**	**5 610**	**74 174**	**-**	**299 946**
f) increase in amortisation	28	16 378	17 878	2 940	8 370	-	45 594
amortisation	*28*	16 378	17 878	2 940	8 370	-	45 594
g) decrease of amortisation	(52)	(3 776)	(14 477)	(1 526)	(13 706)	-	(33 537)
sale	-	-	*(4)*	(1 085)	-	-	(1 089)
liquidation (scrapping)	-	*(3 773)*	*(14 473)*	(441)	(13 706)	-	(32 393)
other	(52)	*(3)*	-	-	-	-	(55)
h) depreciation as at the end of period	**1 282**	**135 617**	**99 243**	**7 024**	**68 838**	**-**	**312 004**
i) impairment losses as at the beginning of period	**-**	**7 859**	**-**	**-**	**-**	**-**	**7 859**
increase	-	*108*	-	-	-	-	*108*
decrease	-	*(1 608)*	-	-	-	-	*(1 608)*
j) impairment losses as at the end of period	**-**	**6 360**	**-**	**-**	**-**	**-**	**6 360**
k) net value of property, plant and equipment at the end of period	**78 382**	**206 636**	**81 362**	**8 568**	**31 697**	**5 537**	**412 182**

(amounts in PLN 000s, unless otherwise stated)

2016	land (including right to perpetual usufruct of land)	buildings, premises, civil engineering structures	technical equipment and machinery	means of transport	other PP&E	other production in progress	total property, plant and equipment
a) gross value of property, plant and equipment at the beginning of period	**77 856**	**321 971**	**148 232**	**11 096**	**96 159**	**13 171**	**668 485**
b) increases (due to)	-	22 842	24 370	3 444	9 401	27 258	87 315
purchase	-	*296*	*12 623*	*3 163*	*5 661*	*27 258*	*49 001*
transfer from production-in-progress	-	*22 546*	*11 747*	*281*	*3 740*	-	*38 314*
c) decreases (due to)	(3 080)	(12 814)	(3 889)	(1 821)	(1 073)	(38 450)	(61 128)
sale	*(2 680)*	*(11 720)*	*(143)*	*(1 805)*	*(68)*	-	*(16 416)*
liquidation (scrapping)	-	*(1 094)*	*(3 746)*	*(16)*	*(1 005)*	-	*(5 861)*
transfer to non-current assets	-	-	-	-	-	*(38 450)*	*(38 450)*
other	*(400)*	-	-	-	-	-	*(400)*
d) gross value of property, plant and equipment at the end of period	**74 776**	**331 999**	**168 713**	**12 718**	**104 487**	**1 979**	**694 672**
e) amortisation as at the beginning of period	**1 622**	**109 286**	**83 382**	**4 365**	**66 104**	**-**	**264 759**
f) increase in amortisation	47	16 310	16 044	2 652	9 129	-	44 182
amortisation	*47*	*16 310*	*16 044*	*2 652*	*9 129*	-	*44 182*
g) decrease of amortisation	(363)	(2 581)	(3 583)	(1 407)	(1 059)	-	(8 995)
sale	*(363)*	*(1 599)*	*(97)*	*(1 391)*	*(68)*	-	*(3 518)*
liquidation (scrapping)	-	*(982)*	*(3 225)*	*(16)*	*(991)*	-	*(5 214)*
other	-	-	*(261)*	-	-	-	*(261)*
h) depreciation as at the end of period	**1 306**	**123 015**	**95 842**	**5 610**	**74 174**	**-**	**299 946**
i) impairment losses as at the beginning of period	**-**	**7 886**	**-**	**-**	**-**	**-**	**7 886**
increase	-	*275*	-	-	-	-	*275*
decrease	-	*(301)*	-	-	-	-	*(301)*
j) impairment losses as at the end of period	**-**	**7 860**	**-**	**-**	**-**	**-**	**7 860**
k) net value of property, plant and equipment at the end of period	**73 470**	**201 124**	**72 870**	**7 108**	**30 313**	**1 980**	**386 866**

As at 31 December 2017, the value of land under perpetual usufruct was PLN 18 770 000 and PLN 19 341 000 as at 31 December 2016. This was estimated using the annual fees established by municipalities in relation to the properties owned by the state treasury.
Group companies do not own any property, plant and equipment items that would have limited ownership or usage rights.
Depreciation of property, plant and equipment in 2017 and 2016 was recognised in administrative expenses, cost of sales and cost of manufacturing of the products and services sold.
As at 31 December 2017 and 31 December 2016, there were no contractual liabilities incurred in connection with the purchase of property, plant and equipment.
As at 31 December 2017 and 31 December 2016, there were no liabilities towards central or local government authorities for acquisition of ownership rights to buildings and structures.

(amounts in PLN 000s, unless otherwise stated)

6.3.3 Investment properties

	31 Dec 2017	31 Dec 2016
Land, including:	28 044	28 154
Perpetual usufruct rights	*9 396*	*9 071*
Buildings and structures	92 282	95 031
- including: investments in third-party tangible assets	-	-
Technical equipment and machinery	178	245
Other PP&E	8	11
Net investment properties	**120 512**	**123 441**

6.3.4 Change in investment properties

2017	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil engineering structures	- Technical equipment and machinery	- Other PP&E	Total investment properties
a) gross value of investment properties as at the beginning of period	**29 260**	**115 114**	**1 131**	**77**	**145 582**
b) increases (due to)	132	816	24	18	990
c) decreases	(93)	(33)	-	(56)	(182)
d) gross value of investment properties at the end of period	**29 299**	**115 897**	**1 155**	**39**	**146 390**
e) amortisation as at the beginning of period	**1 106**	**20 083**	**886**	**66**	**22 141**
f) increase of depreciation (due to)	155	3 534	91	20	3 800
g) decrease of amortisation	(5)	(3)	-	(55)	*(63)*
h) depreciation as at the end of period	**1 255**	**23 615**	**977**	**31**	**25 878**
i) net value of investment properties at the end of period	**28 044**	**92 282**	**178**	**8**	**120 512**

(amounts in PLN 000s, unless otherwise stated)

2016	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil engineering structures	- Technical equipment and machinery	- Other PP&E	Total investment properties
a) gross value of investment properties as at the beginning of period	**29 260**	**115 105**	**1 123**	**77**	**145 565**
b) increases (due to)	-	9	8	-	17
c) decreases	-	-	-	-	-
d) gross value of investment properties at the end of period	**29 260**	**115 114**	**1 131**	**77**	**145 582**
e) amortisation as at the beginning of period	**960**	**16 628**	**799**	**63**	**18 450**
f) increase of depreciation (due to)	146	3 456	88	3	3 693
- depreciation	*146*	*3 456*	*88*	*3*	*3 693*
g) decrease of amortisation	-	-	-	-	-
h) depreciation as at the end of period	**1 106**	**20 084**	**887**	**66**	**22 141**
i) net value of investment properties at the end of period	**28 154**	**95 031**	**245**	**11**	**123 441**

6.3.5 Intangible assets

	31 Dec 2017	31 Dec 2016
Acquired concessions, patents, licences and similar	2 787	2 820
Other intangible assets	561	1 096
Intangible assets in progress	454	202
Wartości niematerialne razem	**3 802**	**4 118**

The Group did not recognise impairment losses on intangible assets.
The Group does not have any intangible assets used under lease agreements.
The Group does not have any intangible assets with restricted usage rights.
The Group does not have any bank credit that would be secured by intangible assets.
Amortisation of intangible assets in 2017 and 2016 was recognised in administrative expenses, cost of sales and cost of manufacturing of the products and services sold.
As at 31 December 2017, there were no contractual liabilities incurred in connection with the purchase of intangible assets.

(amounts in PLN 000s, unless otherwise stated)

6.3.6 Changes in intangible assets

2017	Acquired concessions, patents, licences and similar	Other intangible assets	Intangible assets in progress	Total intangible assets
a) gross values of intangible assets as at the beginning of period	**15 997**	**3 930**	**202**	**20 129**
b) increases (due to)	1 997	373	502	2 872
purchase of finished intangible assets	*366*	*348*	*502*	*1 216*
transfer from investments	*173*	*25*	-	*198*
reclassification	*1 458*	-	-	*1 458*
c) decreases (due to)	(331)	(1 478)	(249)	(2 058)
sale	(46)	-	*(52)*	(98)
transfer to intangible assets	(285)	-	*(198)*	*(483)*
reclassification	-	(1 458)	-	(1 458)
other	-	(20)	-	(20)
d) gross values of intangible assets as at the end of period	**17 663**	**2 825**	**454**	**20 942**
e) amortisation as at the beginning of period	**13 177**	**2 834**	-	**16 011**
f) increase in amortisation	2 011	279	-	2 290
reclassification	*828*	-	-	828
amortisation	*1 183*	*279*	-	*1 462*
g) decrease of amortisation	(313)	(848)	-	*(1 161)*
sale	*(29)*	-	-	*(29)*
reclassification	-	*(828)*	-	*(828)*
other	*(284)*	*(20)*	-	*(304)*
h) depreciation as at the end of period	**14 876**	**2 264**	-	**17 140**
i) net value of intangible assets as at the end of period	**2 787**	**561**	**454**	**3 802**

(amounts in PLN 000s, unless otherwise stated)

2016	Acquired concessions, patents, licences and similar	Other intangible assets	Intangible assets in progress	Total intangible assets
a) gross values of intangible assets as at the beginning of period	**15 308**	**2 963**	**1 142**	**19 413**
b) increases (due to)	699	967	338	**2 004**
purchase of finished intangible assets	*218*	*185*	*338*	741
transfer from investments	*481*	*776*	-	1 257
other	-	*6*	-	6
c) decreases (due to)	(10)	-	(1 278)	(1 288)
sale	-	-	*(8)*	*(8)*
transfer to intangible assets	-	-	*(1 256)*	*(1 256)*
other	*(10)*	-	*(14)*	(24)
d) gross values of intangible assets as at the end of period	**15 997**	**3 930**	**202**	**20 129**
e) amortisation as at the beginning of period	**12 394**	**2 385**	-	**14 779**
f) increase in amortisation	793	449	-	1 242
amortisation	*793*	*449*	-	*1 242*
g) decrease of amortisation	*(10)*	-	-	*(10)*
other	*(10)*	-	-	*(10)*
h) depreciation as at the end of period	**13 177**	**2 834**	-	**16 011**
i) net value of intangible assets as at the end of period	**2 820**	**1 096**	**202**	**4 118**

(amounts in PLN 000s, unless otherwise stated)

6.3.7 Goodwill

	31 Dec 2017	31 Dec 2016
Cost as at the beginning of period	52 044	52 044
Decreases / increases during the period	(12 844)	-
Cost as at the end of period balance	**39 200**	**52 044**
Carrying amount as at the beginning of period	52 044	52 044
Carrying amount as at the end of period	39 200	52 044

In 2017, goodwill worth PLN 12 844 000 was written down. This goodwill arose on the acquisition of two distribution companies in 2008, assigned to the property segment. The adjustment applies to prior periods, when a change of operating model took place, and was recognised in retained earnings.
Information on this subject is presented in Note **Błąd! Nie można odnaleźć źródła odwołania.**

Goodwill at the end of 2017 consisted of the following analytical items, assigned to the retail segment:

a) goodwill arising on the acquisition of Maro-Markety by Emperia Holding - PLN 17 335 000,
b) goodwill arising on the acquisition of Społem Tychy S.A. by Emperia Holding - PLN 1 510 000,
c) goodwill arising on the acquisition of Centrum Sp. z o.o. and PH Alfa Sp. z o.o. by Stokrotka Sp. z o.o. - PLN 17 496 000,
d) goodwill arising on the acquisition of Pilawa Sp. z o.o. by Stokrotka Sp. z o.o. - PLN 2 858 000.

Impairment testing

Goodwill of PLN 39 200 000 was assigned to cash generating unit Stokrotka Sp. z o.o.
Goodwill recognised in these consolidated financial statements was not subject to impairment.
This is proven by the measurement as level 1 in the fair value hierarchy, in accordance with IFRS 13. This measurement concerns a transaction after the balance sheet date - the acquisition by MAXIMA GRUPĖ, UAB, of 11 559 259 shares of Emperia Holding S.A., which constitutes 93.66% of the Company's share capital, for PLN 1 155 926 000. Given that Stokrotka's revenue constitutes 98% of the Group's revenue, goodwill is not subject to impairment.

6.3.8 Financial assets

	31 Dec 2017	31 Dec 2016
Equity interests	3	3
- including: subsidiaries	-	-
Other equity interests	34	34
- including: subsidiaries	-	-
Total financial assets	**37**	**37**

(amounts in PLN 000s, unless otherwise stated)

2017

Non-current financial assets - related parties - 2017	Equity interests	Other equity interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**3**	**34**	**37**
b) increases	-	-	-
c) decreases	-	-	-
d) financial assets as at the end of period	**3**	**34**	**37**

2016

Non-current financial assets - related parties - 2016	Equity interests	Other equity interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**3**	**34**	**37**
b) increases	-	-	-
c) decreases	-	-	-
d) financial assets as at the end of period	**3**	**34**	**37**

6.3.9 Non-current loans

	31 Dec 2017	31 Dec 2016
Long-term loans issued	213	263
- including: to subsidiaries	-	-
Total long-term loans	**213**	**263**

6.3.10 Non-current receivables

	31 Dec 2017	31 Dec 2016
Collateral related to leases	8 499	5 532
- including: from subsidiaries	-	-
Total non-current receivables	**8 499**	**5 532**

Collateral is not interest-bearing. Given the low value (materiality criterion), it is not subject to amortisation.

(amounts in PLN 000s, unless otherwise stated)

6.3.11 Deferred income tax assets

	31 Dec 2017	31 Dec 2016
Deferred income tax assets at the beginning of period	**18 053**	**22 009**
Increases	14 427	2 552
a) recognised through profit or loss	*6 421*	*2 453*
b) recognised through equity	*8 006*	*99*
Decreases	(1 766)	(6 508)
a) recognised through profit or loss	*(1 763)*	*(6 508)*
b) recognised through equity	*(3)*	*-*
Deferred income tax assets at the end of period	**30 714**	**18 053**

Deferred income tax assets, the basis of which are temporary differences resulting from:	31 Dec 2017	31 Dec 2016
Trade receivables	516	576
Remuneration liabilities	2 021	1 615
One-off retirement/disability allowances	220	184
Untaken holidays and similar	1 743	1 342
Pay bonuses and similar	467	526
Deduction of discount on own bonds	22	4
Audit provision	39	56
Impairment of inventory	1 110	783
Discounts recorded in inventory	3 077	2 830
Difference between the balance sheet value and tax value of property, plant and equipment	12 222	4 329
Provision for agreements giving rise to liabilities	1 714	2 585
Uninvoiced costs	240	318
Tax loss	6 452	1 876
Deferred revenue from loyalty programmes	-	323
Actuarial losses	-	130
Rebates for franchisees with tax settled in different periods	-	93
Other items	871	483
Deferred income tax assets at the end of period	**30 714**	**18 053**

	31 Dec 2017	31 Dec 2016
Deferred income tax assets:	**30 714**	**18 053**
- to be realised within 12 months	15 141	10 440
- to be realised after 12 months	15 573	7 613

The value of non-capitalised losses at the end of 2017 was to PLN 3 593 000. The Management Board intends to capitalise these losses in the next three financial years, provided that this is in line with budget assumptions.

(amounts in PLN 000s, unless otherwise stated)

6.3.12 Other non-current prepayments

	31 Dec 2017	31 Dec 2016
Rent	256	321
Rebates granted	2 162	1 541
Permits, concessions	29	-
Purchase of rights to lease commercial premises	14 161	15 825
Costs related to store equipment and opening	2 141	1 061
Other	920	78
Total non-current prepayments	**19 669**	**18 826**

6.3.13 Inventories

	31 Dec 2017	31 Dec 2016
Materials	11 555	8 211
Goods	244 244	228 766
Impairment of inventories	(22 040)	(19 015)
Total inventories	**233 759**	**217 962**

Impairment of inventories	31 Dec 2017	31 Dec 2016
Impairment of inventory as at the beginning of period	(19 015)	(19 784)
Increases (recognition of new impairment losses)	(28 003)	(18 935)
Decreases (due to decrease in inventory)	24 978	19 704
Impairment of inventory as at the end of period	**(22 040)**	**(19 015)**

In 2017, impairment losses on inventory were recognised in connection with commercial sales bonuses and as a result of a release of a provision concerning inventory deficits.

Restrictions in ownership rights regarding off-balance sheet collateral established	31 Dec 2017	31 Dec 2016
Collateral, by title:	**15 000**	**15 000**
- credit facilities	-	-
- bank guarantees	*15 000*	*15 000*
Total restrictions in ownership rights regarding off-balance sheet collateral established	**15 000**	**15 000**

(amounts in PLN 000s, unless otherwise stated)

6.3.14 Receivables

	31 Dec 2017	31 Dec 2016
For products and services	56 395	57 131
- including: from related parties	-	-
Taxes and other state fees	11 986	10 891
Under judicial enforcement	2 006	1 601
Advances paid for supplies	759	402
Other receivables	5 250	19 773
including: from related parties	-	-
Impairment of receivables	(7 161)	(9 065)
Total net receivables	**69 235**	**80 733**

Impairment of receivables	**31 Dec 2017**	**31 Dec 2016**
Impairment of receivables as at the beginning of period	**(9 065)**	**(10 742)**
- including: from related parties	-	-
Increases (recognition of new impairment losses)	(877)	(1 552)
- including: from related parties	-	-
- including: increase as a result of acquisitions	-	-
Decreases	2 781	3 229
- including: from related parties	-	-
release	537	1 458
- including: from related parties	-	-
- including: decrease as a result of disposals	-	-
Derecognised from statement of profit and loss*	2 233	1 771
- including: from related parties	-	-
Exchange differences	11	-
Impairment of receivables as at the end of period	**(7 161)**	**(9 065)**
- including from related parties		-

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

Restrictions in ownership rights regarding off-balance sheet collateral established do not concern receivables.

Ageing structure of trade receivables	**31 Dec 2017**	**31 Dec 2016**
up to 1 month	36 172	36 476
1 - 3 months	4 711	3 763
3 - 6 months	35	21
6 - 12 months	511	-
over 1 year	-	-
Overdue	14 966	16 871
Impairment of receivables	(6 145)	(6 050)
Total net receivables	**50 250**	**51 081**

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of overdue trade receivables	31 Dec 2017	31 Dec 2016
up to 1 month	7 555	7 649
1 - 3 months	916	1 409
3 - 6 months	848	694
6 - 12 months	939	867
over 1 year	4 708	6 252
Impairment of receivables	(6 145)	(6 050)
Total net overdue receivables	**8 821**	**10 821**

6.3.15 Short-term securities

	31 Dec 2017	31 Dec 2016
TFI certificates	-	-
Total short-term securities	**-**	**-**

6.3.16 Current prepayments, by title

	31 Dec 2017	31 Dec 2016
Insurance	669	392
Technical assistance	136	211
Permits, alcohol concessions	58	25
Rents	97	69
Advertising	67	47
Subscriptions and annual fees	27	59
Electricity	-	2
Technical oversight for machinery	75	80
Costs incurred prior to location opening	971	35
Email	1	7
Costs to be re-invoiced	379	570
Purchase of rights to lease commercial premises	2 762	2 959
Year-end costs	-	710
Rebates granted	-	490
Costs related to store equipment and opening	-	336
Other	2 795	95
Total current prepayments, by title	**8 037**	**6 087**

(amounts in PLN 000s, unless otherwise stated)

6.3.17 Cash and cash equivalents

	31 Dec 2017	31 Dec 2016
Cash on hand	14 658	9 286
Cash at bank accounts	154 400	115 714
Other cash instruments	26 307	21 432
including: - cash expected to be received	*14 207*	*13 543*
Total cash	**195 364**	**146 432**

6.3.18 Other financial assets

	31 Dec 2017	31 Dec 2016
Loans issued	1 012	1 763
- including: to related parties	-	-
Measurement of other financial instruments	-	-
- including: to related parties	-	-
Total other financial assets	**1 012**	**1 763**

(amounts in PLN 000s, unless otherwise stated)

6.3.19 Share capital structure as at 31 December 2017

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue (in PLN)	Method of payment	Registration date	Right to dividend (from date)
A	ordinary bearer	None	100 000	100 000	Cash	30.11.1994	30.11.1994
B	ordinary bearer	None	2 200 000	2 200 000	Cash	26.09.1995	01.01.1995
C	ordinary bearer	None	2 093 700	2 093 700	Cash	11.02.1999	01.01.1999
D	ordinary bearer	None	408 400	408 400	Cash	25.06.1999	01.01.1999
E	ordinary bearer	None	240 200	240 200	Cash	12.12.2001	01.01.2001
F	ordinary bearer	None	259 500	259 500	Cash	12.12.2001	01.01.2001
G	ordinary bearer	None	1 333 300	1 333 300	Cash	12.12.2001	01.01.2001
H	ordinary bearer	None	2 085 323	2 085 323	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
I	ordinary bearer	None	1 271 796	1 271 796	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
J	ordinary bearer	None	55 747	55 747	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
K	ordinary bearer	None	290 468	290 468	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
L	ordinary bearer	None	1 500 000	1 500 000	Cash	24.10.2007	01.01.2007
Ł	ordinary bearer	None	140 388	140 388	Cash and in-kind-contribution of shares in Maro-Markety Sp. z o.o.	12.02.2008	01.01.2007
M	ordinary bearer	None	82 144	82 144	Cash and in-kind-contribution of shares in Centrum Sp. z o.o.	12.02.2008	01.01.2007
N	ordinary bearer	None	122 429	122 429	Cash	06.06.2008	01.01.2007
P	ordinary bearer	None	64 428	64 428	Cash	09.09.2014	01.01.2014
P	ordinary bearer	None	43 976	43 976	Cash	16.01.2015	01.01.2014
P	ordinary bearer	None	25 527	25 527	Cash	09.09.2015	01.01.2015
P	ordinary bearer	None	17 950	17 950	Cash	30.09.2015	01.01.2015
P	ordinary bearer	None	4 773	4 773	Cash	31.01.2016	01.01.2015
P	ordinary bearer	None	1 978	1 978	Cash	30.11.2016	01.01.2016
Total number of shares			**12 342 027**				
Total share capital				**12 342 027**			
Nominal value per share = PLN 1							

There are no preference shares as to voting rights in Emperia Holding S.A.'s share capital. As at 31 December 2017, Elpro Development S.A. held 367 991 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.

All shares within Emperia Group's share capital are fully paid-in.

(amounts in PLN 000s, unless otherwise stated)

Share capital structure as at 31 December 2016

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue (in PLN)	Method of payment	Registration date	Right to dividend (from date)
A	ordinary bearer	None	100 000	100 000	Cash	30.11.1994	30.11.1994
B	ordinary bearer	None	2 200 000	2 200 000	Cash	26.09.1995	01.01.1995
C	ordinary bearer	None	2 093 700	2 093 700	Cash	11.02.1999	01.01.1999
D	ordinary bearer	None	408 400	408 400	Cash	25.06.1999	01.01.1999
E	ordinary bearer	None	240 200	240 200	Cash	12.12.2001	01.01.2001
F	ordinary bearer	None	259 500	259 500	Cash	12.12.2001	01.01.2001
G	ordinary bearer	None	1 333 300	1 333 300	Cash	12.12.2001	01.01.2001
H	ordinary bearer	None	2 085 323	2 085 323	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
I	ordinary bearer	None	1 271 796	1 271 796	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
J	ordinary bearer	None	55 747	55 747	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
K	ordinary bearer	None	290 468	290 468	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
L	ordinary bearer	None	1 500 000	1 500 000	Cash	24.10.2007	01.01.2007
Ł	ordinary bearer	None	140 388	140 388	Cash and in-kind-contribution of shares in Maro-Markety Sp. z o.o.	12.02.2008	01.01.2007
M	ordinary bearer	None	82 144	82 144	Cash and in-kind-contribution of shares in Centrum Sp. z o.o.	12.02.2008	01.01.2007
N	ordinary bearer	None	122 429	122 429	Cash	06.06.2008	01.01.2007
P	ordinary bearer	None	64 428	64 428	Cash	09.09.2014	01.01.2014
P	ordinary bearer	None	43 976	43 976	Cash	16.01.2015	01.01.2014
P	ordinary bearer	None	25 527	25 527	Cash	09.09.2015	01.01.2015
P	ordinary bearer	None	17 950	17 950	Cash	30.09.2015	01.01.2015
P	ordinary bearer	None	4 773	4 773	Cash	31.01.2016	01.01.2015
P	ordinary bearer	None	1 978	1 978	Cash	30.11.2016	01.01.2016
Total number of shares			**12 342 027**				
Total share capital				**12 342 027**			
Nominal value per share = PLN 1							

There are no preference shares as to voting rights in Emperia Holding S.A.'s share capital. As at 31 December 2016, Elpro Development S.A. held 367 991 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.

All shares within Emperia Group's share capital are fully paid-in.

(amounts in PLN 000s, unless otherwise stated)

Changes in supplementary and reserve capital	Supplementary capital	Reserve capital
1 Jan 2017	**99 905**	**72 766**
2016 profit distribution - transfer to equity	-	18 005
Redemption of own shares	-	-
Reclassification of capital after settlement of all incentive schemes	-	-
31 Dec 2017	**99 905**	**90 771**
1 Jan 2016	**97 558**	**47 661**
2015 profit distribution - transfer to equity	-	25 442
Redemption of own shares	-	(337)
Reclassification of capital after settlement of all incentive schemes	2 347	-
31 Dec 2016	**99 905**	**72 766**

6.3.20 Retained earnings

	31 Dec 2017	31 Dec 2016
Prior-period profit	39 200	19 925
Profit distribution - transfer to equity	(18 005)	(25 442)
Profit distribution - dividend	-	-
Profit for the period	34 863	50 551
Prior-period results of companies entered into consolidation	-	-
Equity-settled employee considerations	(75)	(423)
Total retained earnings	**55 983**	**44 611**

6.3.21 Non-current credit facilities, loans and debt instruments

	31 Dec 2017	31 Dec 2016
Finance leasing	-	600
Total credit facilities, loans, debt instruments and other non-current financial liabilities	**-**	**600**

(amounts in PLN 000s, unless otherwise stated)

6.3.22 Non-current liabilities

	31 Dec 2017	31 Dec 2016
Collateral deposits	1 956	3 472
- including: from subsidiaries	-	-
Total non-current liabilities	**1 956**	**3 472**

Collateral is not interest-bearing. Given the low value (materiality criterion), it is not subject to amortisation.

6.3.23 Provisions

	31 Dec 2017	31 Dec 2016
Employee benefit provisions	**14 924**	**12 004**
a) retirement pay	1 138	948
b) untaken holidays	9 174	7 067
c) annual pay bonuses	2 458	2 784
d) HR restructuring	-	7
e) overtime	1 377	515
f) actuarial gains / losses	777	683
Other provisions	**11 824**	**17 205**
a) audit of financial statements	208	338
b) awards for customers (loyalty programmes)	-	32
c) liabilities	1 334	1 553
d) uninvoiced costs	1 262	1 675
e) onerous contracts	9 020	13 606
f) other	-	1
Total provisions	**26 748**	**29 208**

Provisions	**31 Dec 2017**	**31 Dec 2016**
Non-current	**6 759**	**10 474**
a) retirement pay	955	771
b) annual cash bonuses	-	-
c) onerous contracts	5 027	9 020
d) actuarial gains / losses	777	683
Current	**19 989**	**18 734**
a) retirement pay	183	177
b) untaken holidays	9 174	7 067
c) annual pay bonuses	2 458	2 784
d) HR restructuring	-	7
e) other current provisions	2 804	1 923
f) onerous contracts	3 993	4 586
g) uninvoiced costs	-	1 675
h) overtime	1 377	515
Total provisions	**26 748**	**29 208**

(amounts in PLN 000s, unless otherwise stated)

Change in employee benefit provisions	31 Dec 2017	31 Dec 2016
Employee benefit provision - retirement benefits - as at the beginning of period	948	735
Increases	190	295
Decreases	-	(82)
Employee benefit provision - retirement benefits - as at the end of period	**1 138**	**948**
Employee benefit provision - untaken holidays - as at the beginning of period	7 067	5 191
Increases	2 107	1 876
Decreases		-
Employee benefit provision - untaken holidays - as at the end of period	**9 174**	**7 067**
Employee benefit provision - annual cash bonuses - at the beginning of period	2 784	3 812
Increases	59	364
Decreases	(385)	(1 391)
Employee benefit provision - annual cash bonuses - at the end of period	**2 458**	**2 785**
HR restructuring provision as at the beginning of period	7	55
Increases	-	7
Decreases	(7)	(55)
HR restructuring provision as at the end of period	**-**	**7**
Employee benefit provision - overtime - as at the beginning of period	515	454
Increases	5 363	4 487
Decreases	(4 501)	(4 426)
Employee benefit provision - overtime - as at the end of period	**1 377**	**515**
Provisions for actuarial gains/losses at the beginning of period	683	160
Increases	94	523
Decreases	-	-
Provisions for actuarial gains/losses at the end of period	**777**	**683**
Employee benefit provisions as at the beginning of period	**12 004**	**10 407**
Increases	*7 813*	*7 552*
Decreases	*(4 893)*	*(5 954)*
Employee benefit provisions as at the end of period	**14 924**	**12 005**

(amounts in PLN 000s, unless otherwise stated)

Changes in other provisions	31 Dec 2017	31 Dec 2016
Onerous contracts provisions	13 606	18 977
Increases	-	-
Decreases	(4 586)	(5 371)
Onerous contracts provisions at the end of period	**9 020**	**13 606**
Other provisions at the beginning of period	3 598	3 843
Increases	758	20 768
Increases	(1 552)	(21 013)
Other provisions at the end of period	**2 804**	**3 598**
Remaining provisions at the beginning of period	**17 204**	**22 820**
Increases	758	20 768
Decreases	(6 138)	(26 384)
Remaining provisions at the end of period	**11 824**	**17 204**

*/ In 2012, in connection with the Group's exit from Delima supermarkets, store lease contracts were treated as onerous contracts and provisions were recognised. These provisions amounted to PLN 9 020 000 at the end of 2017. The Group also recognised an impairment loss on property, plant and equipment items intended for the performance of these contracts.

Employee benefit provision - post-employment benefits

One-off retirement/disability allowances	31 Dec 2017	31 Dec 2016
As at the beginning of period	**1 631**	**895**
including: long-term	*1 454*	*874*
short-term	*177*	*21*
Employment costs	320	266
including: current employment costs	*320*	*266*
Net interest on net liabilities	59	29
Actuarial (gains) losses	*94*	*523*
(Benefits paid out)	*(218)*	*(82)*
As at the end of period	**1 886**	**1 631**
including: long-term	*1 703*	*1 454*
short-term	*183*	*177*

(amounts in PLN 000s, unless otherwise stated)

Sensitivity analysis (impact of changes in indicators used for calculating pension benefits on liabilities as at 31 December 2017)

	One-off retirement/disability allowances
Discount rate increase by 0.5%	(64)
Discount rate decrease by 0.5%	67
Wage growth increase by 0.5%	67
Wage growth decrease by 0.5%	(64)
Turnover growth by 0.5%	(1)
Turnover decrease by 0.5%	1

The Group's liabilities for future employee benefits, including one-off retirement/disability allowances paid out after employment at the Group ends, are equal to the present value of the liabilities for these benefits.
Provisions for one-off retirement/disability allowances were calculated by an independent actuarial advisory firm using the projected unit credit method, based on information obtained from the Companies relating to the amounts of employee benefits and data supplied by the Companies, demographic and financial assumptions, as well as actuarial methods for measuring provisions. The projected unit credit method was used to calculate provisions for one-off retirement/disability allowances.

Key actuarial assumptions having impact on the level of employment benefit provisions as at 31 December 2017 were as follows:
- discount rate - 3.5% in 2018 and subsequent years,
- employee mortality - same as mortality for the entire population in Poland,
- incapacity for work - established based on the probabilities of employee mortality and age,
- expected future wage growth (nominal, including inflation) - 3.0% in 2018 and subsequent years,
- employee turnover - 7.0% annually (it was also assumed that turnover begins to decrease with age on a linear basis 10 years before retirement age, reaching 0% three years before retirement),
- retirement - individual retirement age for employees.

6.3.24 Deferred income tax provisions

	31 Dec 2017	31 Dec 2016
Deferred income tax provisions at the beginning of period	**5 488**	**4 497**
Increases	4 117	2 662
a) recognised through profit or loss	*4 117*	*2 662*
Decreases	(1 974)	(1 671)
a) recognised through profit or loss	*(1 974)*	*(1 671)*
Deferred income tax provisions at the end of period	**7 632**	**5 488**

(amounts in PLN 000s, unless otherwise stated)

Deferred income tax provisions, the basis of which are temporary differences resulting from:	31 Dec 2017	31 Dec 2016
Deduction of discount on bonds purchased	22	15
Difference between the balance sheet value and tax value of tangible assets	5 177	3 691
Other items	2 433	1 782
Deferred income tax provisions at the end of period	**7 632**	**5 488**

	31 Dec 2017	31 Dec 2016
Deferred income tax provisions:	**7 631**	**5 488**
- to be realised within 12 months	3 269	2 209
- to be realised after 12 months	4 363	3 279

6.3.25 Current credit facilities, loans and debt instruments

	31 Dec 2017	31 Dec 2016
Finance leasing	565	1 122
Measurement of other financial instruments	181	-
Total current credit facilities, loans and debt instruments	**746**	**1 122**

6.3.26 Current liabilities

	31 Dec 2017	31 Dec 2016
For products and services	386 357	343 158
including: towards related parties	-	-
Taxes and other state fees	25 020	22 608
Remuneration	18 208	16 000
Other liabilities	21 203	6 960
including: towards related parties	-	-
Total current liabilities	**450 788**	**388 726**

Ageing structure of trade payables	31 Dec 2017	31 Dec 2016
up to 1 month	216 824	188 461
1 - 3 months	67 388	66 187
3 - 6 months	1 875	408
6 - 12 months	1	1
over 1 year	-	10
Overdue	100 269	88 090
Total liabilities	**386 357**	**343 157**

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of overdue trade payables	31 Dec 2017	31 Dec 2016
up to 1 month	95 742	83 420
1 - 3 months	4 436	3 557
3 - 6 months	54	1 032
6 - 12 months	18	62
over 1 year	19	20
Total overdue liabilities	**100 269**	**88 091**

6.3.27 Deferred revenue, by title

	31 Dec 2017	31 Dec 2016
Refund of transport-related damages	22	29
Refund of property damages	13	74
Contractual penalties	11	2 656
Loyalty programmes	896	1 702
Refund of fire-fighting equipment	962	1 012
Sale of services settled in time	294	314
Interest on collateral	115	113
Vouchers to be used in future periods	583	599
Reimbursements of remuneration for disabled employees	914	596
Other	-	222
Total deferred revenue, by title	**3 810**	**7 317**

(amounts in PLN 000s, unless otherwise stated)

6.3.28 Restatement of comparative data

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

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

Summary of changes introduced to comparative data:

a) Change in the presentation of the Group's revenue from the sale of marketing services, calculated based on a percentage of the value of goods sold that constitute rebates received from suppliers - previously the value of this revenue, amounting to PLN 65 543 000, was presented as revenue from the sale of services. Following the change, in order to reliably reflect the economic content of transactions, the value of this revenue decreases the cost of goods sold.

b) Change in the presentation of reimbursements from the State Fund for the Rehabilitation of the Disabled (PFRON) of costs for the disabled - previously these were presented as other operating revenue. After the change, PLN 2 862 000 in reimbursements was presented as adjustment of selling costs.

Restatement of the statement of comprehensive income for 2016

		12 months ended 31 Dec 2016 (reported)	Presentation change	12 months ended 31 Dec 2016 (restated)
Revenue from sales	a)	2 450 750	(65 543)	2 385 207
Value of goods and materials sold	a)	(1 743 366)	65 543	(1 677 823)
Other operating revenue	b)	24 285	(2 862)	21 423
Selling costs	b)	(575 502)	2 862	(572 640)

(amounts in PLN 000s, unless otherwise stated)

6.3.29 Net revenue from sale of services

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Sale of services	55 617	61 654
- including: from related parties		-
Total net revenue from sale of services	**55 617**	**61 654**
- including: from related parties		

Net revenue from sales of services (geographical structure)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Domestic	50 357	57 336
- including: from related parties	-	-
Export	5 260	4 318
- including: from related parties	-	-
Total net revenue from sale of services	**55 617**	**61 654**
- including: from related parties	-	-

6.3.30 Net revenue from sale of goods and materials

Net revenue from sale of goods and materials (product structure - types of activities)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Sale of goods and materials	2 520 837	2 323 553
- including: from related parties	-	-
Total net revenue from sale of goods and materials	**2 520 837**	**2 323 553**
- including: from related parties		-

Total net revenue from sale of goods and materials (geographical structure)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Domestic	2 520 760	2 323 519
- including: from related parties	-	-
Export	77	34
- including: from related parties	-	-
Total net revenue from sale of goods and materials	**2 520 837**	**2 323 553**
- including: from related parties		-

(amounts in PLN 000s, unless otherwise stated)

6.3.31 Other operating revenue

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Gain on disposal of other non-financial non-current assets	61	14 007
Impairment of non-financial assets	740	270
Other operating revenue	11 113	7 146
Total other operating revenue	**11 914**	**21 423**

Revaluation of financial and non-financial assets	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Recognition of tangible asset impairment (negative value)	(108)	(274)
Reversal of tangible asset impairment	816	301
Recognition of receivables impairment (negative value)	(74)	(419)
Reversal of receivables impairment	106	662
Total impairment of financial and non-financial assets	**740**	**270**

Other operating revenue	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Contractual penalties received	3 795	2 971
Compensation from transport insurance	246	366
Compensation from property insurance	2 643	538
Other compensation	488	920
Outdated liabilities	166	-
Awarded legal costs	143	227
VAT refund	64	41
Asset donations	606	-
Cash overage	294	329
Rounding	-	1
Settlement over time of refunds and assets received free-of-charge	-	-
Goods received free-of-charge	-	888
Rounding related to packaging collateral	-	443
Other revenue	2 668	422
Total other operating revenue	**11 113**	**7 146**

(amounts in PLN 000s, unless otherwise stated)

6.3.32 Costs by nature

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Depreciation / amortisation	(50 793)	(48 935)
Use of materials and energy	(100 815)	(96 524)
Third-party services	(214 880)	(194 674)
Salaries	(279 141)	(248 529)
Employee benefits	(64 598)	(58 513)
Taxes and fees	(11 502)	(11 046)
Other costs	(3 084)	(2 319)
Total costs by nature	**(724 812)**	**(660 540)**
Selling costs	(621 719)	(575 502)
Administrative expenses	(74 466)	(56 548)
Cost of manufacture of services sold	(28 627)	(28 490)

Employment costs	**12 months ended 31 Dec 2017**	**12 months ended 31 Dec 2016**
Remuneration, including:	(279 141)	(248 529)
- HR restructuring provision	-	*(7)*
Social security	(52 896)	(46 716)
Workplace social security fund	(6 762)	(6 719)
Training	(801)	(720)
Other	(4 140)	(4 359)
Total employment costs	**(343 739)**	**(307 043)**

6.3.33 Other operating expenses

(amounts in PLN 000s, unless otherwise stated)

	Note	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Loss on disposal of non-financial non-current assets		(2 633)	(984)
Impairment of non-financial assets		(376)	(335)
Other operating expenses	6.3.34	(7 192)	(8 109)
Total other operating expenses		**(10 201)**	**(9 428)**

Revaluation of financial and non-financial assets	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Recognition of tangible asset impairment (negative value)	-	-
Reversal of tangible asset impairment	-	-
Recognition of receivables impairment (negative value)	(807)	(1 130)
Reversal of receivables impairment	430	795
Total revaluation of financial and non-financial assets	**(376)**	**(335)**

6.3.34 Other operating expenses

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Donations	(118)	(236)
Transport-related damages	(259)	(271)
Property damages	(2 063)	(596)
Other damages	(69)	(194)
Collateral written-off	(3 842)	(3 044)
Legal costs	(134)	(41)
Transfer of contractual rights	-	-
Rounding up of collateral for packaging	-	-
Compensation for exiting a location	-	(716)
Non-deductible VAT	-	(6)
Subcontractor claims	-	(46)
Rounding up of collateral for packaging	-	(827)
Balances written off	-	(1 593)
Other costs	(707)	(83)
Contractual penalties	-	(456)
Total other operating expenses	**(7 192)**	**(8 109)**

(amounts in PLN 000s, unless otherwise stated)

6.3.35 Finance income

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest, including:	630	768
- from related parties	-	-
Gain on disposal of investments	-	178
Other finance income	647	-
Total finance income	**1 277**	**946**

Interest income on bonds	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest on loans	67	119
- including: from related parties	-	-
Interest on bank deposits	474	559
Interest on overdue receivables	89	84
- including: from related parties	-	-
Interest on bonds	-	6
Total interest on bonds	**630**	**768**

Other finance income	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Release of provisions for financial liabilities	467	-
Share of insurers' profits	147	-
Other	33	-
Total other finance income	**647**	**-**

6.3.36 Finance costs

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest, including:	(933)	(639)
- for subsidiaries	-	-
Loss on disposal of investments	-	(38)
Other finance costs	(3 719)	(739)
Total finance costs	**(4 652)**	**(1 416)**

(amounts in PLN 000s, unless otherwise stated)

Interest costs	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest on bank credit	(488)	(285)
Interest on finance leasing	(94)	(207)
- including: from related parties	-	-
Interest on overdue receivables	(310)	(105)
- including: from related parties	-	-
Interest on issued bonds	-	(38)
- including: from related parties	-	-
Statutory interest	(15)	(4)
Other	(26)	-
Total cost of interest income	**(933)**	**(639)**

Other finance costs	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Cost of bank guarantees	(2 098)	(184)
Negative exchange differences	(1 410)	(318)
Impairment of financial assets	-	(164)
Interest cost on employee provisions	(57)	(29)
Balance sheet measurement of liabilities and receivables	-	(44)
Bond issue costs	-	-
Other	(154)	-
Total other finance costs	**(3 719)**	**(739)**

Profit or loss, by category of instrument	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest income		
Bank deposits	474	559
Loans issued	67	119
Trade receivables	89	84
Interest on bonds	-	6
Total interest income	**630**	**768**
Interest costs		
Short- and long-term credit facilities	(488)	(285)
Finance leasing	(94)	(207)
Trade payables	(310)	(105)
Bonds issued	-	(38)
Other	(26)	-
Total interest costs	**918**	**(635)**

(amounts in PLN 000s, unless otherwise stated)

6.3.37 Effective tax rate determination

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Gross profit	37 921	61 232
Tax in profit or loss	3 058	10 681
Preliminary effective tax rate (%)	8.1%	17.4%
Differences on deferred tax	(447)	(79)
Tax effects of non-taxable revenues, according to tax regulations	(804)	1 939
Tax effects of non-deductible costs, according to tax regulations	1 499	(2 695)
Tax effect of tax losses incurred in period	(722)	(33)
Effect of tax losses for which no deferred tax asset was recognised in previous years	-	1 841
Tax effect related to tax loss capitalisation	4 576	-
Impact of applying various tax rates by subsidiaries operating in different legal systems	(5)	-
After taking into consideration the explanations	7 155	11 654
Effective tax rate after explanations (%)	18,9%	19%

6.3.38 Deferred income tax recorded in profit or loss

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Decrease (increase) from recognition and reversal of temporary differences	2 475	(2 660)
Decrease (increase) from previously unrecognised tax losses, tax benefits or prior-period temporary differences	-	-
Decrease (increase) due to deferred income tax from consolidation	(93)	(2 386)
Total deferred income tax recorded in profit or loss	**2 382**	**(5 046)**

(amounts in PLN 000s, unless otherwise stated)

6.3.39 Earnings per share for the period

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit / loss for the period	34 863	50 551
Weighted average number of shares	11 933 984	12 086 113
Weighted average diluted number of ordinary shares	11 933 984	12 086 113
Profit (loss) per share (in PLN)	2.92	4.18
Diluted profit (loss) per share	2.92	4.18

Basic earnings per share are calculated by dividing the net profit for the period attributable to common shareholders by the weighted average number of issued ordinary shares during the year, adjusted by shares held by the Company.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to common shareholders of Emperia Group (less interest on convertible preference shares) by the weighted average number of issued ordinary shares for the year, adjusted by shares held by the Company and the weighted average number of shares that were issued upon conversion of the potentially dilutive ordinary shares to ordinary shares. In 2016, the Company took into consideration the dilutive effect of the bonds awarded to employees under the 2010 and 2011 tranches of the 2nd Management Options Programme - 2010-2012.

6.3.40 Cash and cash equivalents structure

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Cash on hand		
- as at the beginning of period	9 286	10 558
- as at the end of period	14 658	9 286
Cash at bank accounts		
- as at the beginning of period	115 714	83 201
- as at the end of period	154 400	115 714
Other cash instruments		
- as at the beginning of period	21 432	10 036
- as at the end of period	26 307	21 432
Total cash		
- as at the beginning of period	**146 432**	**103 795**
- as at the end of period	**195 364**	**146 432**

6.3.41 Off-balance sheet items

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

(amounts in PLN 000s, unless otherwise stated)

Other off-balance-sheet collateral

Changes in off-balance sheet liabilities during 2017	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	30 000	-	-
Increases during the period	-	-	-
Decreases during the period	(30 000)	-	-
As at the end of period	**-**	**-**	**-**
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**15 000**	**-**
Guarantees			
As at the beginning of period	-	25 000	9 325
Increases during the period	-	-	-
Decreases during the period	-	(25 000)	(7 150)
As at the end of period	-	**-**	**2 175**

Changes in off-balance sheet liabilities during 2016	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	-	-	-
Increases during the period	30 000	-	-
Decreases during the period	-	-	-
As at the end of period	**30 000**	**-**	**-**
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	15 000	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**15 000**	**-**
Guarantees			
As at the beginning of period	-	47 500	9 646
Increases during the period	-	-	6 850
Decreases during the period	-	(22 500)	(7 171)
As at the end of period	**-**	**25 000**	**9 325**

(amounts in PLN 000s, unless otherwise stated)

6.3.42 Financial and operating leasing

a) Finance lease liabilities

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

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

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

2017	Term of agreement	As at 31 Dec 2017	As at 31 Dec 2018 (Minimum annual payment)	1 to 5 years (Minimum annual payment)	Over 5 years
Property	specified	98 368	103 809	415 311	517 466
	unspecified	2 542	2 518	10 072	12 591
Technical equipment and machinery	specified	93	1	1	1
	unspecified	111	119	476	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.

(amounts in PLN 000s, unless otherwise stated)

2016	Term of agreement	As at 31 Dec 2016	As at 31 Dec 2017	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	specified	96 213	102 790	411 160	512 454
	unspecified	2 981	3 190	12 762	15 952
Technical equipment and machinery	specified	189	56	1	-
	unspecified	141	179	715	893
Means of transport	specified	7 963	8 248	3 834	0
	unspecified	-	-	-	-

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

6.3.43 Emperia Group as tenant

Agreements executed by Emperia Group as tenant

2017	Term of agreement	As at 31 Dec 2017	As at 31 Dec 2018	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	specified	21 669	20 750	44 782	5 748
	unspecified	6 165	6 797	34 042	68 084

These agreements concern properties and investment properties.
A 10-year period has been adopted for agreements with an undefined term.

2016	Term of agreement	As at 31 Dec 2016	As at 31 Dec 2017	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	specified	21 948	21 669	44 782	5 748
	unspecified	6 091	6 165	34 042	68 084

These agreements concern properties and investment properties.
A 10-year period has been adopted for agreements with an undefined term.

6.3.44 Liabilities towards central or local government authorities for acquisition of ownership rights to buildings and structures

The Group does not have liabilities towards central or local government authorities for acquisition of ownership rights to buildings and structures.

(amounts in PLN 000s, unless otherwise stated)

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

Emperia Group companies did not incur material liabilities in connection with the purchase of property, plant and equipment in 2017.

6.3.46 Emperia Holding S.A.'s related-party transactions

In 2017, Emperia Holding S.A. did not execute any significant transactions with related parties other than transactions in the ordinary course of business on market terms and those connected with capital increases or capital contributions at subsidiaries.

6.3.47 Average employment

Item	Average employment in 2017 (staff count)		
	Total	White collar workers	Blue collar workers
Emperia Holding S.A.	41	41	-
Stokrotka Sp. z o.o.	8 334	2 075	6 259
Infinite Sp. z o.o.	187	186	1
Infinite IT Solutions SRL	8	8	-
Elpro Development S.A.	40	33	7
TOTAL	8 610	2 343	6 267

Item	Average employment in 2016 (staff count)		
	Total	White collar workers	Blue collar workers
Emperia Holding S.A.	64	63	1
Stokrotka Sp. z o.o.	8 279	1 956	6 323
Infinite Sp. z o.o.	187	186	1
Elpro Development S.A.	1	1	-
TOTAL	8 531	2 206	6 325

Other Emperia Group companies did not employ any staff in 2017 and 2016.

(amounts in PLN 000s, unless otherwise stated)

6.3.48 Remuneration of the Issuer's Management Board and Supervisory Board members

As specified in the relevant regulations established by the Supervisory Board, the remuneration of Emperia Holding S.A.'s Management Board comprises a salary component and a pay bonus component.

Remuneration paid to Emperia Holding S.A.'s Management Board members in 2017 (cash basis):

First and last name	Total salary	Pay bonus	TOTAL
Kalinowski Dariusz	122,9	4 094.7	4 217.6
Baran Cezary	116,9	1 856.5	1 973.4
TOTAL	**239,8**	**5 951.2**	**6 191.0**

Remuneration paid to Emperia Holding S.A.'s Management Board members in 2017 for work at subsidiaries (cash basis):

First and last name	TOTAL
Kalinowski Dariusz	523,6
Baran Cezary	305,8
TOTAL	**829,4**

Remuneration of Emperia Holding S.A. Supervisory Board members in 2017:

First and last name	Salary
Kawa Artur	86,40
Kowalczewski Michał	43,20
Laskowski Artur	43,20
Wawerski Jarosław	43,20
Widera Aleksander	43,20
TOTAL	**259,20**

(amounts in PLN 000s, unless otherwise stated)

6.3.49 Information on agreements with entities authorised to audit financial statements and remuneration for such an entity for the financial year

On 19 January 2017, the Management Board of Emperia Holding S.A. announced the appointment of a statutory auditor for 2017.
Review and audit of the Company's financial statements for 2017 was commissioned to PricewaterhouseCoopers Sp. z o.o., based in Warsaw, Al. Armii Ludowej 14. PricewaterhouseCoopers Sp. z o.o. is an entity authorised to audit financial statements, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 144. The Company did not previously use the services of this statutory auditor as regards audit and review of financial statements.

Fees for the entity authorised to audit financial statements	**2017**	**2016**
Review and audit of financial statements	365	443
Tax advisory services	-	4
Due diligence	1 499	-
Total	**1 864**	**447**

6.3.50 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

- 17 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.

Supervisory Board

Artur Kawa – Chairman

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

Jarosław Wawerski – Member

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

Artur Laskowski – Member

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

Aleksander Widera – Member

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

Michał Kowalczewski – Independent Member

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

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

6.3.51 Financial risk management

The Group's operations are exposed to the following financial risks:

a) credit risk,
b) liquidity risk,
c) market risk,
   - currency risk,
   - interest rate risk,
   - other pricing risk.

The Group's financial risk is managed by the Management Board of Emperia Holding S.A., which identifies and assesses threats and protects the Group from them so as to minimise any potential adverse impact on financial results. The Management Board sets out overall risk management rules and policy regarding specific risks, taking into account the needs of specific subsidiaries. The Management Board's policy is implemented by cells responsible for ensuring financial liquidity, security, monitoring and recovery of receivables as well as timely payment of liabilities.

a) credit risk – risk that one of the parties to a financial instrument fails to meet its obligations, causing the Group to incur financial losses. Credit risk concerns receivables, cash and cash equivalents, bank deposits, purchased bonds and collateral provided.

The Group's main operating segment - retail - due to its specific nature is insignificantly exposed to this type of risk. The segment's sales are to retail customers, in cash or via payment cards.
Other segments' revenue is largely generated on deferred payment terms. However, the fragmentation of the customer base makes it so that exposure to singular credit risk is not high. The Group applies internal procedures and mechanisms that limit this element of risk: appropriate selection of customers, new customer verification system, use of credit limits and collateral, on-going receivables monitoring. The Group consistently pursues recovery of overdue receivables and recognises impairment losses on an on-going basis.
The Group places its cash at reliable financial institutions (selected based on ratings). Bonds are short-term bonds issued by Group companies. Credit risk at the Group is insignificant.

b) liquidity risk – risk that the Group will have difficulties in meeting its liabilities resulting from financial commitments. The Group ensures that liquidity is maintained at an appropriate, safe level. After budget preparations, the Group requests appropriate credit lines at the financial institutions with which it cooperates. As regards external financing, the Group uses loans and bonds issued by selected Group companies. Aside from financing operations, bonds also play a role in the optimisation of liquidity within the Group. Cooperation with numerous financial institutions that provide secured financial instruments diversified liquidity risk. Financial personnel monitor the Group's financial situation and payment capacity on an on-going basis.

In 2017, the Group did not use external financing sources. Liquidity risk at the Group is insignificant.

c) market risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market prices. This risk covers three types of risk: currency risk, interest rate risk and other pricing risk

currency risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in exchange rates. The Group does not use any FX or foreign currency-denominated debt instruments. An immaterial part of receivables - foreign-currency receivables in the IT segment (these constituted 1.2% of total trade receivables in 2017) - and an immaterial part of payables - foreign-currency payables in the retail segment (these constituted 0.61% of all trade payables in 2017) are exposed to foreign exchange risk. Moreover, fragmentation of the customer base means that exposure to singular currency risk is very low.
Currency risk concerns the Group in an immaterial scope.

interest rate risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market interest rates. The Group invests excess funds in interest-paying assets, therefore it is exposed to risk connected with changes in interest rates. Interest rate risk arises on issue and purchase of bonds within the Group. These transactions are aimed at liquidity management at the Group, and changes in interest rates do not affect financial results (there are bi-directional, offsetting cash flows).
The Group's main risk connected with interest rate changes has to do with debt instruments.
In 2017, the Group barely used external debt instruments with variable interest (credit facilities and bonds), in connection with which it faced no exposure to changes in cash flows as a result of changes in interest rates.

other pricing risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market prices (other than those resulting from interest rate risk or currency risk), regardless of whether such changes are caused by instrument- or issuer-specific factors or factors affecting all similar financial instruments that are traded on a market. The Group does not use financial instruments that carry pricing risk. The Group is not exposed to any other pricing risks.

(amounts in PLN 000s, unless otherwise stated)

Classification of financial instruments as per IAS 39 and IAS 27

Financial assets by balance sheet item	2017 fair value	2017 book value	Classification of financial instruments as per IAS 39 (book value)						at purchase price
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	37	37	-	-	-	-	-	-	37
Loans	213	213	-	-	-	-	213	-	-
Non-current	213	213	-	-	-	-	213	-	-
short-term	-	-	-	-	-	-	-	-	-
Non-current collateral and other receivables	1 956	1 956	-	-	-	-	1 956	-	-
Trade receivables	50 250	50 250	-	-	-	-	50 250	-	-
Receivables not mentioned above, constituting financial assets	8 015	8 015	-	-	-	-	8 015	-	-
Short-term securities	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	195 361	195 361	-	-	-	-	195 361	-	-

Financial liabilities by balance sheet item	2017 fair value	2017 book value	Classification of financial instruments as per IAS 39 (book value)					Other (book value)	
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity			
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Credit facilities	-	-	-	-	-	-	-	-	-
Non-current	-	-	-	-	-	-	-	-	-
short-term	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Non-current *short-term*	-	-	-	-	-	-	-	-	-
Finance leasing	565	565	-	-	565	-	-	-	-
Long-term	-	-	-	-	-	-	-	-	-
Short-term	565	565	-	-	565	-	-	-	-
Non-current collateral and other liabilities	8 499	8 499	-	-	8 499	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-
Measurement of other instruments - derivatives	181	181	-	-	181	-	-	-	-
Trade payables	386 357	386 357	-	-	386 357	-	-	-	-
Non-financial liabilities other than those above	39 411	39 411	-	-	39 411	-	-	-	-

(amounts in PLN 000s, unless otherwise stated)

Classification of financial instruments as per IAS 39 and IAS 27

Financial assets by balance sheet item	**2016** fair value	**2016**book value	Classification of financial instruments as per IAS 39 (book value)						at purchase price
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	37	37	-	-	-	-	-	-	37
Loans	263	263	-	-	-	-	263	-	-
Non-current	*263*	*263*	-	-	-	-	*263*	-	-
short-term	-	-	-	-	-	-	-	-	-
Non-current collateral and other receivables	5 532	5 532	-	-	-	-	5 532	-	-
Trade receivables	51 081	51 081	-	-	-	-	51 081	-	-
Receivables not mentioned above, constituting financial assets	21 776	21 776	-	-	-	-	21 776	-	-
Short-term securities	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	146 432	146 432	-	-	-	-	146 432	-	-

Financial liabilities by balance sheet item	**2016** fair value	**2016** book value	Classification of financial instruments as per IAS 39 (book value)					Other (book value)	
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity			
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Credit facilities	-	-	-	-	-	-	-	-	-
Non-current	-	-	-	-	-	-	-	-	-
short-term	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Non-current *short-term*	-	-	-	-	-	-	-	-	-
Finance leasing	1 722	1 722	-	-	1 722	-	-	-	-
Long-term	*600*	*600*	-	-	*600*	-	-	-	-
Short-term	*1 122*	*1 122*	-	-	*1 122*	-	-	-	-
Non-current collateral and other liabilities	3 472	3 472	-	-	3 472	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-	-	-	-	-
Trade payables	343 157	343 157	-	-	343 157	-	-	-	-
Non-financial liabilities other than those above	22 960	22 960	-	-	22 960	-	-	-	-

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of financial assets that were overdue but not impaired as at the end of the reporting period

- - ageing structure of trade receivables overdue but not impaired as at the end of the reporting period

Period	Nominal value Receivables	Receivables not overdue, not	Receivables overdue but not impaired up to 1 month	Receivables overdue but not impaired 1 - 3 months	Receivables overdue but not impaired 3 - 6 months	Receivables overdue but not impaired 6 months - 1 year	Receivables overdue but not impaired over 1 year
2017	50 250	41 429	7 555	916	350	-	-
2016	51 082	40 260	7 649	1 409	694	867	203

The remaining financial assets were not overdue as at the end of the reporting period.

Impairment of receivables

	31 Dec 2017	31 Dec 2016
As at the beginning of period	(9 065)	(10 742)
Increases (resulting from acquisitions)	(877)	(1 552)
Reversal	548	1 458
Derecognised from the statement of profit and loss*	2 233	1 771
As at the end of period	**(7 161)**	**(9 065)**

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

Rules concerning recognition and reversal of impairment losses on receivables are presented in note 1.1.18.

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of financial liabilities

Item	Total liabilities	Liabilities due in: Up to 1 year	1 - 3 years	Over 3 years
2017				
Finance leasing	565	565	-	-
Non-current collateral and other liabilities	1 956	-	540	1 416
Trade payables	386 357	386 242	115	-
Financial liabilities other than the above	39 411	39 411	-	-
2016				
Finance leasing	1 722	1 122	600	-
Non-current collateral and other liabilities	3 471	-	532	2 939
Trade payables	343 158	343 128	30	-
Financial liabilities other than the above	22 960	22 960	-	-

Ageing structure of financial liabilities overdue as at the end of the reporting period

- ageing structure of trade payables overdue as at the end of the reporting period

Period	Total Liabilities	Liabilities not overdue	Liabilities Overdue Due in up to 1 month	Liabilities Overdue Due in 1 - 3 months	Liabilities Overdue Due in 3 - 6 months	Liabilities Overdue Due in 6 months - 1 year	Liabilities Overdue Due in over 1 year
2017	386 357	286 088	95 742	4 436	54	18	19
2016	343 158	255 067	83 420	3 557	1 032	62	20

The remaining financial liabilities were not overdue as at the end of the reporting period.

(amounts in PLN 000s, unless otherwise stated)

Profit or loss, by category of instrument

Interest income	01.01.2017 – 31.12.2017	01.01.2015 – 31.12.2016
Bank deposits	474	559
Debt instruments	-	6
Loans issued	67	119
Trade receivables	89	84
Total	**630**	**768**

Income on interest that was accrued but unrealised constitutes an immaterial amount.

Interest costs	01.01.2017 – 31.12.2017	01.01.2015 – 31.12.2016
Short- and long-term credit facilities	(488)	(285)
Finance leasing	(94)	(207)
Debt instruments	-	(38)
Trade payables	(310)	(105)
Other	(26)	-
Total	**918**	**(635)**

The costs of interest that was accrued but unrealised constitute an immaterial amount.

(amounts in PLN 000s, unless otherwise stated)

Capital risk management

The Group manages its capital so as to ensure its ability to continue as a going concern, taking into consideration planned investments, in order to generate returns for shareholders and provide benefits to other stakeholders, as well as to maintain the optimal capital structure so as to minimise its cost.

In accordance with market practices, the Group monitors its capital based on the equity ratio and credit facilities, loans and other financing sources to EBITDA.

The equity ratio is calculated as net property, plant and equipment (equity less intangible assets) divided by equity and liabilities.

The 'credit facilities, loans and other financing sources to EBITDA' ratio is calculated as credit facilities, loans and other financing sources divided by EBITDA. 'Credit facilities, loans and other financing sources' means the total value of liabilities due to credit facilities, loans and leasing, while EBITDA is defined as operating profit less depreciation.

In order to maintain financial liquidity and creditworthiness enabling to raise external capital at reasonable cost, the Group aims to maintain the equity ratio at no less than 0.5 and the 'credit facilities, loans and other financing sources to EBITDA' ratio at up to 2.0.

	31.12.2017	31.12.2016
Equity	651 425	626 268
Intangible assets	3 802	4 118
Equity, less intangible assets	647 623	622 150
Balance sheet total	1 143 655	1 062 813
Equity ratio	**0.57**	**0.59**

	31.12.2017	31.12.2016
Operating profit	41 296	61 702
Depreciation / amortisation	50 793	48 935
EBITDA	92 089	110 637
Credit facilities, loans and other financing sources	746	1 722
Ratios: Credit facilities, loans and other financing sources / EBITDA	**0.01**	**0.02**

The Issuer was not subject to capital requirements in 2017 or 2016.

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

Did not occur at the Group.

(amounts in PLN 000s, unless otherwise stated)

6.3.53 Discontinued operations

There were no discontinued operations during the reporting period.

6.3.54 Prior-period adjustments

a) Impairment of goodwill in change of operating model
Goodwill arising on the acquisition of two distribution companies in 2008 was not written down when these companies' profile changed. The amount of goodwill written down is PLN 12 844 000.

b) Recognition of deferred income tax asset related to property portfolio restructuring
As a result of this process, a deferred income tax asset was not recognised at consolidated level in 2013. The amount of the correction is PLN 7 986 000.

c) Stokrotka Sp. z o.o. restated the comparative data in these financial statements as a result of an error made in 2016, i.e. incorrect calculation of impairment of packaging inventories in the net amount of PLN 555 000.

Restatement of 2016 statement of financial position

	Amount of correction	Assets	Equity and liabilities
a)	(12 844)	Goodwill	Retained earnings
b)	7 986	Deferred income tax assets	Retained earnings
c)	(685)	Inventories	Retained earnings
c)	130	Deferred income tax assets	Retained earnings

6.3.55 Mergers, share purchases or disposals, capital increases

a) Merger of Emperia Group companies

On 28 February 2017, the Extraordinary General Meeting of Elpro Development S.A. adopted a resolution on the merger of the Company and the following Acquired Companies: Elpro Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P3 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P5 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A. and Ekon Spółka z ograniczoną odpowiedzialnością. Due to the fact that the Company and the Acquired Companies belong to the same group and that the consolidation of these companies will have positive impact on their financial situation and will improve management efficiency whilst reducing management expenses, the Extraordinary General Meeting decided to merge the Company with the Acquired Companies pursuant to art. 492 par. 1 point 1 of the Polish Commercial Companies Code, i.e. by transfer of all assets of the Acquired Companies to the Company - merger by acquisition.
Mergers of jointly controlled entities are recognised at book value. The merging entities were also covered by joint controlled prior to the transactions and their mergers do not give rise to changes in their net assets or goodwill. This method based on historic values combines the relevant items of assets, liabilities, revenue and costs of the merging companies and makes appropriate exclusions. Subject to exclusion is the value of the stakes held by the Company in the Acquired Companies, the assets of which were transferred to the Company, as well as equity of the Merged Companies. Also subject to exclusion are mutual receivables and payables as well as other similar settlements.

Under art. 493 of the Polish Commercial Companies Code, the merger occurred on the date the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, issued a decision of 3 April 2017 on registration of the companies' merger.

b) Formation of subsidiary Infinite IT Solutions SRL

On 5 September 2017, subsidiaries Eldorado Sp. z o.o. and Infinite Sp. z o.o. formed a subsidiary, Infinite IT Solutions SRL, in Romania. The company's share capital amounts to PLN 101 300 and is divided into 1 100 shares with a nominal value of PLN 92.12 each. Infinite Sp. z o.o. holds 1 089 shares, which constitutes 99% of share capital and entitles to 99% of general meeting votes, while Eldorado Sp. z o.o. holds 11 shares, which constitutes 1% of share capital and 1% of voting rights.
The newly-founded company provides a wide array of IT services on the Romanian market.

6.3.56 Emperia Group's significant events in 2017

a) Tax probe by Treasury Control Office

1. 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 quality 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: end of Q2 2018

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

b) Change of statutory auditor for 2016 and appointment of statutory auditor for 2017

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that in connection with an on-going process of reviewing strategic options to support further development of Emperia Group's business, the Supervisory Board had adopted a resolution on the change of statutory auditor for the Company for 2016 and the appointment of a statutory auditor for 2017.
In connection with the above, the Supervisory Board on 19 January 2017 adopted a resolution appointing PricewaterhouseCoopers Sp. z o.o., based in Warsaw, Al. Armii Ludowej 14, to audit the separate and consolidated financial statements of Emperia Holding S.A. for 2016 as well as review and audit the Company's separate and consolidated financial statements for 2017. PricewaterhouseCoopers Sp. z o.o. is an entity authorised to audit financial statements, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 144. The Company did not previously use the services of this statutory auditor as regards audit and review of financial statements.
The Supervisory Board also approved amicable termination of an agreement of 8 June 2016 concerning review and audit of the Company's separate and consolidated financial statements for 2016 with UHY ECA Audyt Sp. z o.o. Sp.k., based in Kraków, ul. Moniuszki 50, entered onto the list of entities authorised to audit financial statements by the National Chamber of Statutory Auditors under number 3115.

c) Completion of buy-back programme at Emperia Holding S.A. by subsidiary Elpro Development S.A.

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. during H1 2017 purchased, in block transactions, 60 246 shares of Emperia Holding S.A. for cancellation. At the date on which these financial statements were published, Elpro Development S.A. held a total of 428 237 shares of Emperia Holding S.A., entitling to 428 237 (3.470%) votes at the Company's general meeting and constituting 3.470% of the Company's share capital. The shares bought back are to be cancelled by Emperia Holding S.A.

On 30 June 2017, Elpro Development S.A. completed the buy-back programme at Emperia Holding S.A. by Elpro Development S.A., after lapse of the deadline specified in resolutions by the Issuer's Supervisory Board.

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

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

(amounts in PLN 000s, unless otherwise stated)

e) Credit and guarantee agreement and annex

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

Item	Term loan (1)	Term loan (2)	Working-capital loan	Guarantee line
Borrower	Elpro Development S.A.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.	Stokrotka Sp. z o.o.
Objective of credit/guarantee	to make a loan to Emperia Holding S.A. to finance a tax liability	to make a loan to Emperia Holding S.A. to finance a tax liability	to finance the Borrower's general corporate objectives	to secure repayment of liabilities under lease or commercial agreements
Amount of credit/guarantee	PLN 150 million	PLN 10 million	PLN 40 million	PLN 25 million
Price terms	WIBOR 3M + bank margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 3M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	WIBOR 1M + margin + commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee	Commissions typical for this type of agreement, including the following: origination fee, commitment fee and administrative fee
Repayment deadline	27 October 2022	27 October 2022	27 April 2019	27 April 2019
Basic collateral	• pledge on Elpro Development S.A. shares • pledge on bank accounts of Emperia Holding S.A., Elpro Development S.A. and Stokrotka Sp. z o.o. • pledge on Elpro Development S.A. properties and rights • assignment of rights and receivables under lease and collateral contracts of Emperia Holding S.A. and Elpro Development S.A. • assignment of rights and receivables under Stokrotka Sp. z o.o.'s contracts with payment card operators • mortgage on properties of Emperia Holding S.A. and Elpro Development • Emperia Holding S.A.'s accession into the debt of Elpro Development S.A. and Stokrotka Sp. z o.o. • Elpro Development S.A.'s accession into the debt of Stokrotka Sp. z o.o.		• mortgage on Stokrotka Sp. z o.o.'s properties • pledge on Stokrotka Sp. z o.o.'s inventories • assignment of rights and receivables under Stokrotka Sp. z o.o.'s insurance contracts • pledge on bank accounts of Stokrotka Sp. z o.o.	

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., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank BGŻ BNP Paribas S.A., pursuant to which the above lenders will extend a guarantee line to Emperia Holding S.A. under which bank guarantees for a total amount of PLN 202 million will be issued at Emperia Holding S.A.'s request for the benefit of the State Treasury, represented by the Head of the 2nd Mazowieckie Tax Office in Warsaw, as collateral for Emperia Holding S.A.'s tax liability concerning corporate income tax for 2011, and Stokrotka Sp. z o.o. will accede to the debt related to these

guarantees for a maximum amount of PLN 15 million, jointly and severally with Elpro Development S.A., which will accede to the debt related to these guarantees for a maximum amount of PLN 240 million .
The Company's maximum own contribution to the guarantee lines will be PLN 54 million.
The maximum term of validity for these guarantees will be 12 months from the date of issue. Fees for the guarantees will be in the form of an origination commission.
Annex 1 to the Credit Agreement was executed on market terms. The other provisions, including provisions related to penalties, do not differ from provisions commonly applied in this type of agreement.

f) Commencement of an investor search process to support Emperia Holding S.A.'s further dynamic development, commencement of negotiations with a potential investor, execution of an investment agreement.

In reference to information regarding the start of a strategic options review, the Management Board of Emperia Holding S.A. on 9 May 2017, having obtained permission from the Company's Supervisory Board, decided to launch a process intended to bring in an investor to support the Company's further dynamic development. The Management Board plans to hold talks with a variety of entities potentially interested in such an investment as well as to allow selected entities to conduct due diligence at the Company and its subsidiaries.
Having analysed possible growth scenarios and perspectives for the Company, the Management Board is certain that this decision is in the interest of both the Company and its shareholders and will considerably contribute to building the Company's value.
The aim of the Management Board is to ensure that all of the Company's shareholders have the option to sell their shares in a tender offer announced by the investor on equal terms.
The Issuer has engaged Rothschild Global Advisory as its exclusive financial adviser in the Company's search for an investor.

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

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

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

On 24 November 2017, the Company's management board published a statement regarding the tender offer for the Company's shares announced by Maxima Grupė UAB, in which it stated that based on the tenderer's declarations and statements the tender offer is in line with the interests of the Company and its employees and that the price proposed in the tender offer corresponds to the Company's fair value.

g) Ordinary General Meeting of Emperia Holding S.A.

On 28 June 2017, an Ordinary General Meeting of Emperia Holding S.A. was held. The subject of the meeting was evaluation and approval of the management report on the Company's operations as well as its financial statements, including consolidated financial statements, for the previous financial year; adoption of a resolution concerning profit distribution or loss coverage, approval of Supervisory Board and Management Board members.

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

On 16 October 2016, the Management Board of Emperia Holding S.A. received notification from MetLife PTE S.A. that a fund under its management, MetLife OFE, had decreased its stake in Emperia Holding S.A. voting rights to under 5%.
The decrease in stake to less than 5% took place following a sale of the Company's shares on 12 October 2017. Directly prior to the change in stake, the fund held 635 101 shares, which constituted 5.15% of the Company's share capital and entitled to 635 101 votes at the Company's General Meeting, i.e. 5.15% of total voting rights.
Currently, the fund holds 578 101 shares, which constitutes 4.68% of the Company's share capital and entitled to 578 101 votes at the Company's General Meeting, i.e. 4.68% of total voting rights.

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

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

j) Management Board recommendation on 2017 profit allocation

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

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

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

6.3.57 Emperia Group's significant events after the balance sheet date

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

On 11 January 2018, the Management Board of Emperia Holding S.A. announced that it had received information on the issue on 8 January 2018 by a District Court in Warsaw, 16th Commercial Department, of a ruling to secure a claim by Eurocash S.A., based in Komorniki (acting as a shareholder of the Issuer), to withdraw resolution 2 of the Issuer's Extraordinary General Meeting of 20 December 2017 regarding amendments to the articles of association ("Resolution") by suspension of the performance of this Resolution.
The Management Board of Emperia Holding S.A. does not agree with this ruling and has decided to appeal.

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. The Issuer does not agree with Eurocash's arguments specified in the lawsuit and will undertake all legally permitted actions intended to protect the interests of Emperia Holding S.A., including filing a response to the lawsuit within the prescribed 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 Grupe of deadline for subscriptions to sell Emperia Holding S.A. shares and settlement of tender offer

On 14 February 2018, Maxima Grupė extended the subscription deadline to 16 March 2018, i.e. for an amount of time that is necessary to obtain approval from the president of the Office of Competition and Consumer Protection. Maxima Grupė's new deadline for receipt of the decision on approval for concentration is 14 March 2018.
On 14 March 2018, Maxima Grupė extended the subscription deadline to 12 April 2018.

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.
In connection with the share purchase under the Tender Offer, Elpro Development S.A., a wholly-owned subsidiary of the Company, which holds 428 237 shares of the Company, constituting 3.47% of the Company's share capital and entitling to exercise 428 237 votes at the Company's general meeting, which represents 3.47% of total votes at the Company's General Meeting, became an indirect subsidiary of Maxima.

c) Sale of shares in Emperia Holding S.A. by members of Emperia Holding S.A.'s 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 and 17 April 2018 Dariusz Kalinowski sold a total of 41 094 shares of the Issuer.

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.

d) Notice of Extraordinary General Meeting of Emperia Holding S.A.

On 6 April 2018, the Management Board of Emperia Holding S.A. announced that it has called an Extraordinary General Meeting, which is to take place on 4 May 2018. Resolutions regarding changes in the composition of the Company's Supervisory Board will be the subject of the general meeting.

e) 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.

Warsaw, 24 April 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