SEPARATE FINANCIAL STATEMENTS

FOR 2016

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

WARSAW

Contents

(amounts in PLN 000s, unless otherwise stated)

1. Selected financial data

No.	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2015 to 31 Dec 2015	For the period from 1 Jan 2016 to 31 Dec 2016	For the period from 1 Jan 2015 to 31 Dec 2015
I.	Net revenue from sale of products, goods and materials	15 952	15 539	3 657	3 714
II.	Operating profit (loss)	4 149	4 910	951	1 174
III.	Profit before tax	18 869	27 042	4 325	6 463
IV.	Profit for the period	18 014	25 444	4 129	6 081
V.	Net cash flows from operating activities	4 700	977	1 077	234
VI.	Net cash flows from investing activities	26 158	72 806	5 996	17 401
VII.	Net cash flows from financing activities	(36 139)	(108 518)	(8 284)	(25 537)
VIII.	Total net cash flows	(5 281)	(34 735)	(1 211)	(8 302)
IX.	Total assets	491 531	509 606	111 105	119 584
X.	Liabilities and liability provisions	24 072	60 200	5 441	14 126
XI.	Non-current liabilities	816	763	184	179
XII.	Current liabilities	23 256	59 437	5 257	13 947
XIII.	Equity	467 459	449 406	105 664	105 457
XIV.	Share capital	12 342	13 235	2 790	3 106
XV.	Number of shares	12 342 027	13 235 495	12 342 027	13 235 495
XVI.	Weighted average number of shares	12 086 113	12 506 772	12 086 113	12 506 772
XVII.	Earnings per ordinary share* (in PLN/EUR)	1.49	2.03	0.34	0.49
XVIII.	Diluted earnings per ordinary share, annualised** (in PLN/EUR)	1.49	2.03	0.34	0.49
XIX.	Book value per share* (in PLN/EUR)	38.68	35.93	8.74	8.43
XX.	Diluted book value per share (in PLN/EUR)**	38.68	35.93	8.74	8.43
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	1.33	-	0.32

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

Weighted average number of shares:
- for 2016: 12 086 113
- for 2015: 12 506 772

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 have been 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 2016 was EURPLN 4.3625 and for 2015: EURPLN 4.1839.
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 2016: EURPLN 4.4240; as at 31 December 2015: EURPLN 4.2615.
3. Dividend paid out is translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 19 June 2015 was EURPLN 4.1715.

(amounts in PLN 000s, unless otherwise stated)

2. Statement of financial position

	Note	31 Dec 2016	31 Dec 2015*
Total non-current assets		**483 182**	**483 859**
Property, plant and equipment	Note 6.3.1 and 6.3.2	662	612
Investment properties	Note 6.3.3 and 6.3.4	54 916	55 566
Intangible assets	Note 6.3.5 and 6.3.6	1 156	1 470
Financial assets	Note 6.3.7 and 6.3.8	426 286	426 109
Deferred income tax assets	Note 6.3.9	159	102
Other non-current prepayments	Note 6.3.10	3	0
Total current assets		**8 349**	**25 747**
Current receivables	Note 6.3.11	2 953	3 892
Income tax receivables	-	-	58
Short-term securities	Note 6.3.12	-	11 138
Current prepayments	Note 6.3.13	106	87
Cash and cash equivalents	Note 6.3.14	5 290	10 571
Total assets		**491 531**	**509 606**
Total equity		**467 459**	**449 406**
Share capital	Note 6.3.15	12 342	13 235
Share premium	-	411 670	465 315
Supplementary capital	-	-	-
Management options provision	-	-	723
Reserve capital	-	25 442	337
Buy-back provision	-	-	-
Own shares	-	-	(55 646)
Retained earnings	Note 6.3.16	18 005	25 442
Total non-current liabilities		**816**	**763**
Non-current liabilities	Note 6.3.17	112	89
Provisions	Note 6.3.18	49	32
Deferred income tax provision	Note 6.3.19	655	642
Total current liabilities		**23 256**	**59 437**
Credit facilities, loans, debt instruments and other current financial liabilities	Note 6.3.20	19 959	0
Current liabilities	Note 6.3.21	1 356	57 903
Income tax liabilities	-	63	-
Provisions	Note 6.3.18	611	325
Deferred revenue	Note 6.3.22	1 267	1 209
Total equity and liabilities		**491 531**	**509 606**

*The Company restated its comparative data as a result of presentation changes (note 6.3.23). The change in presentation had no impact on the total value of assets and equity and liabilities.

(amounts in PLN 000s, unless otherwise stated)

Book value	467 459	449 406
Number of shares	12 342 027	13 235 495
Weighted average number of shares	12 086 113	12 506 772
Diluted number of shares	12 086 113	12 508 001
Book value per share	37.88	33.95
Book value per share (in PLN)*	38.68	35.93
Diluted book value per share (in PLN)**	38.68	35.93

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

Warsaw, 15 March 2017

Signatures of all Management Board members:

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

Signatures of persons responsible for book-keeping

Elżbieta Świniarska	Economic Director	.... Signature
Tomasz Koszczan	Head of Accounting	.... Signature

(amounts in PLN 000s, unless otherwise stated)

3. Statement of profit and loss and statement of comprehensive income

	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Revenue from sales		**15 952**	**15 539**
- from subsidiaries		*10 246*	*10 835*
Revenue from sale of services	Note 6.3.24	15 910	15 506
Revenue from sale of goods and materials	Note 6.3.25	42	33
Cost of sales		**(7 155)**	**(7 510)**
- to subsidiaries		*(5 897)*	*(6 336)*
Cost of manufacture of services sold	Note 6.3.27	(7 155)	(7 510)
Value of goods and materials sold		-	-
Profit on sales		**8 797**	**8 029**
Other operating revenue	Note 6.3.26	254	436
Selling costs	Note 6.3.27	-	-
Administrative expenses	Note 6.3.27	(4 873)	(3 528)
Other operating expenses	Note 6.3.28	(29)	(27)
Operating profit		**4 149**	**4 910**
Finance income	Note 6.3.29	15 391	22 523
Finance costs	Note 6.3.30	(671)	(391)
Profit before tax		**18 869**	**27 042**
Income tax		(855)	(1 598)
- current	Note 6.3.31	(897)	(1 634)
- deferred	Note 6.3.32	42	36
Profit for the period		**18 014**	**25 444**

Profit for the period	**18 014**	**25 444**
	12 342 027	13 235 495
Weighted average number of shares	12 086 113	12 506 772
Weighted average diluted number of ordinary shares	12 086 113	12 508 001
Profit (loss) per ordinary share (in PLN)	1.46	1.92
Profit (loss) per ordinary share (in PLN)*	1.49	2.03
Diluted profit (loss) per ordinary share (in PLN)**	1.49	2.03

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

(amounts in PLN 000s, unless otherwise stated)

Statement of comprehensive income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Profit for the period	**18 014**	**25 444**
Other comprehensive income (not subject to reclassification to results):	(9)	(2)
- Revaluation of employee benefit liabilities	(11)	(3)
- Income tax on components of other comprehensive income	2	1
Comprehensive income for the period	**18 005**	**25 442**

Warsaw, 15 March 2017

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(amounts in PLN 000s, unless otherwise stated)

4. Statement of changes in equity

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
As at the beginning of period: 1 January 2016	**13 235**	**465 315**	**-**	**723**	**337**	**25 442**	**(55 646)**	**449 406**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
As at the beginning of period, adjusted	**13 235**	**465 315**	**-**	**723**	**337**	**25 442**	**(55 646)**	**449 406**
Profit for the period	-	-	-	-	-	18 014	-	18 014
Other net comprehensive income	-	-	-	-	-	(9)	-	(9)
Prior-year profit distribution - transfer to equity	-	-	-	-	25 442	(25 442)	-	-
Share issuance - incentive scheme	7	283	-	(290)	-	-	-	-
Management options provision	-	-	-	48	-	-	-	48
Reclassification of capital after settlement of all incentive schemes	-	482	-	(482)	-	-	-	-
Redemption of own shares	(900)	(54 410)	-	-	(337)	-	55 646	-
As at the end of period: 31 December 2016	**12 342**	**411 670**	**-**	**-**	**25 442**	**18 005**	**-**	**467 459**

	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Retained earnings	Own shares	Total equity
As at the beginning of period: 1 January 2015	**15 180**	**551 988**	**2 526**	**3 341**	**63 268**	**16 865**	**(158 208)**	**494 961**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
As at the beginning of period, adjusted	**15 180**	**551 988**	**2 526**	**3 341**	**63 268**	**16 865**	**(158 208)**	**494 961**
Profit for the period	-	-	-	-	-	25 444	-	25 444
Other net comprehensive income	-	-	-	-	-	(2)	-	(2)
Prior-year profit distribution - transfer to equity	-	-	-	-	337	(337)	-	-
Share issuance - incentive scheme	87	3 708	-	(2 735)	-	-	-	1 061
Dividend from prior-year profit	-	-	-	-	-	(16 528)	-	(16 528)
Purchase of own shares	-	-	-	-	-	-	(55 646)	(55 646)
Management options provision	-	-	-	116	-	-	-	116
Redemption of own shares	(2 032)	(90 381)	(2 526)	-	(63 268)	-	158 208	-
As at the end of period: 31 December 2015	**13 235**	**465 315**	**-**	**723**	**337**	**25 442**	**(55 646)**	**449 406**

Warsaw, 15 March 2017

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Signatures of persons responsible for book-keeping

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Tomasz Koszczan	Head of Accounting	.... Signature

(amounts in PLN 000s, unless otherwise stated)

5. Statement of cash flows

Operating activities	Note	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Profit (loss) for the period		**18 014**	**25 444**
Adjusted by:		**(13 314)**	**(24 467)**
Depreciation / amortisation		1 672	1 741
Interest and shares of profit (dividends)		(14 824)	(21 554)
Income tax		855	1 598
Profit (loss) on investing activities		(160)	(1 347)
Change in provisions		291	(519)
Change in receivables	Note 6.3.36	(75)	(1 703)
Change in prepayments		38	1 129
Change in liabilities	Note 6.3.36	(336)	(721)
Income tax paid		(775)	(3 091)
Net cash from operating activities		**4 700**	**977**

Investing activities	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Inflows	**109 560**	**1 037 510**
Disposal of property, plant and equipment and intangible assets	1 306	12 664
Disposal of financial assets	93 317	986 772
Disposal of interests in subsidiaries	263	-
Dividends received	14 674	19 000
Interest received	-	74
Repayment of loans issued	-	19 000
Outflows	**(83 402)**	**(964 704)**
Purchase of property, plant and equipment and intangible assets	(1 004)	(24 360)
Purchase of subsidiaries and associates	(580)	(90 100)
Purchase of financial assets	(81 818)	(831 244)
Borrowings granted	-	(19 000)
Net cash from investing activities	**26 158**	**72 806**

(amounts in PLN 000s, unless otherwise stated)

Financing activities		12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Inflows		**39 937**	**1 178**
Issue of short-term debt instruments		39 889	0
Proceeds from equity issuance		48	1 1778
Outflows		**(76 076)**	**(109 696)**
Buy-back of short-term debt instruments		(20 000)	0
Interest paid		(460)	-
Dividends paid		-	(16 528)
Purchase of own shares		(55 616)	(93 168)
Net cash from financing activities		**(36 139)**	**(108 518)**
Change in cash and cash equivalents	**Note**	**(5 281)**	**(34 734)**
Exchange differences			
Cash and cash equivalents at the beginning of period	Note 6.3.35	**10 571**	**45 307**
Cash and cash equivalents at the end of period	Note 6.3.35	**5 290**	**10 571**

Warsaw, 15 March 2017

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Tomasz Koszczan	Head of Accounting	.... Signature

6. Additional information

6.1 Information about the Company

Company name, registered office and main economic activities

The Company, 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 in Warsaw, ul. Puławska 2B, postal code 02-566 (registered office change: 15 April 2016).

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

Since 1 April 2007, the principal economic activity of Emperia Holding S.A. is activities of holding companies (PKD 7415Z).

The company is a VAT payer, with NIP no. 712-10-07-105.

The financial statements are prepared for the period from 1 January 2016 to 31 December 2016, and the comparative financial data covers the period from 1 January 2015 to 31 December 2015.

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

Emperia Group's consolidated financial statements and Emperia Holding S.A.'s separate financial statements are available in the Investor Relations sections 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 2016, consolidation included Emperia Holding S.A. and 8 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., Elpro Development S.A., Eldorado Sp. z o.o., P5 EKON Sp. z o.o. S.K.A.

During 2016, Emperia Group's structure was subject to changes. A cross-border merger of Elpro Development S.A. (the acquiring company) with EMP Investment Limited (the acquired company) took place on 14 November 2016. Moreover, all investment certificates in IPOPEMA 55 FIZAN that were not held by Emperia Group companies were sold in the fourth quarter of 2016.

(amounts in PLN 000s, unless otherwise stated)

No.	Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date / date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	ELPRO EKON Sp. z o.o. S.K.A. (1)	20-209 Lublin, ul. Projektowa 1	Property development	392753, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2001-02-15	100.00%	100.00%
4	P3 EKON Sp. z o.o. S.K.A. (2)	20-209 Lublin, ul. Projektowa 1	Property management	407301, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2007-11-29	100.00%	100.00%
5	Elpro Development S.A.	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%
6	EKON Sp. z o.o. (3)	20-209 Lublin, ul. Projektowa 1	Property management	367597, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
7	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%
8	P5 EKON Sp. z o.o. S.K.A. (4)	20-209 Lublin, ul. Projektowa 1	Renting and operating of own or leased real estate	425738, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	24-11-2011	100.00%	100.00%

(amounts in PLN 000s, unless otherwise stated)

(1) indirectly through Elpro Development S.A. (80 825 shares), EKON Sp. z o.o. (contribution)
(2) indirectly through Elpro Development S.A. (138 427 shares), EKON Sp. z o.o. (contribution)
(3) indirectly through Elpro Development S.A.
(4) indirectly through Elpro Development S.A. (56 047 shares), EKON Sp. z o.o. (contribution)

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

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

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

6.2 Description of key accounting principles

6.2.1 Basis for preparing the financial statements

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

6.2.2 Statement of compliance

The financial statements of Emperia Holding S.A. are prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union.
The financial statements reliably present the Company's financial situation, financial performance and cash flows.
The 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 Emperia's operating segments, which:
- engage in business activities from which it may earn revenues and incur expenses,
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available.

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

1 **Retail sales** (retail segment) concerns retail agency agreements, including statistically assigned and accounted costs relating to this revenue,

2 **Property** (property segment) covers revenue and costs connected with managing the Company's operating properties,

3 **Central Management** (central management segment), covers the management functions, holding services and advisory within the Group.

(amounts in PLN 000s, unless otherwise stated)

Revenue and profit by operating segment at Emperia Holding S.A. in 2016:

	Retail	Property	Central management	Total
Segment revenue	2 995	11 952	1 004	15 952
External revenue	2 995	2 719	(9)	5 705
Inter-segment revenue		9 233	1 013	10 246
Total segment costs	(1 123)	(6 350)	(4 554)	(12 027)
Profit on sales	1 872	5 602	(3 550)	3 924
Result on other operating activities		34	191	225
Result on financing activities		8 294	6 426	14 720
Gross result	1 872	13 930	3 067	18 869
Tax	(356)	(1 192)	693	(855)
Share of the profit of equity-accounted entities	-	-	-	-
Net segment result	**1 516**	**12 738**	**3 760**	**18 014**

	Retail	Property	Central management	Total
Segment assets / liabilities	-	55 385	436 146	491 531
Goodwill	-	-	-	-

	Retail	Property	Central management	Total
Capital expenditures	-	(1 004)	-	(1 004)
Depreciation / amortisation	-	(1 293)	(379)	(1 672)

Revenue and profit by operating segment at Emperia Holding S.A. in 2015:

	Retail	Property	Central management	Total
Segment revenue	2 352	11 640	1 546	15 539
External revenue	2 352	2 247	104	4 704
Inter-segment revenue	-	9 393	1 442	10 835
Total segment costs	(456)	(6 139)	(4 444)	(11 039)
Profit on sales	1 896	5 502	(2 897)	4 501
Result on other operating activities	-	(256)	664	409
Result on financing activities	-	10 304	11 828	22 132
Gross result	1 896	15 552	9 594	27 042
Tax	(360)	(1 113)	(125)	(1 598)
Share of the profit of equity-accounted entities	-	-	-	-
Net segment result	**1 536**	**14 439**	**9 469**	**25 444**

	Retail	Property	Central management	Total
Segment assets / liabilities	-	56 063	453 543	509 606
Goodwill	-	-	-	-

	Retail	Property	Central management	Total
Capital expenditures	-	(24 362)	-	(24 362)
Depreciation / amortisation	-	(1 215)	(526)	(1 741)

6.2.4 Functional currency

Items in the financial statements are measured in the currency of the economic environment in which the Company operates, which is the Company's functional currency.
The functional and presentation currency of all items in the financial statements is PLN. Data in the financial statements and all explanatory data is presented in PLN 000s (unless stated otherwise).

6.2.5 Changes in adopted accounting principles

The Company implements new IFRS standards and interpretations such as are applicable in the respective reporting periods. The Company specifies what changes were applicable to its business and what effects these had on the financial statements and comparative data.

6.2.6 Application of International Financial Reporting Standards

The following standards, amendments and interpretations are applicable to the Company from since 1 January 2016:

a) Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

Amendments to IAS 19 Employee Benefits were published by the International Accounting Standards Board (IASB) in November 2013. The amendments allow contributions from employees to be recognised as a reduction in the service cost in the period in which the related service is rendered rather than attributing such contributions to periods of service if the amount of the contributions is independent of the number of years of service.

b) Annual improvements to IFRSs 2010-2012

In December 2013, the IASB published Annual Improvements to IFRSs 2010–2012 Cycle, which amend seven standards. The amendments refer to changes in presentation, recognition and measurement and contain terminology and editing changes.

c) Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception

On 18 December 2014, the IASB published amendments focusing on three areas. The first one deals with consolidation of intermediate investment entities. Pursuant to the introduced amendments, intermediate investment entities shall not be subject to consolidation and, furthermore, the IASB clarified the term "services that relate to the parent's investment activities." Another area of changes concerns an exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity. The last element of changes concerns the possibility of selecting the accounting policy of equity-accounted investment entities. Amendments to IFRS 10, IFRS 12 and IAS 28 are effective from 1 January 2016, with early application permitted.

d) Amendments to IAS 27 - Equity Method in Separate Financial Statements

On 12 August 2014, the IASB published amendments allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments to IAS 27 are effective from 1 January 2016, with early application permitted.

e) Amendments to IAS 1 - Disclosure Initiative

On 18 December 2014, the IASB published amendments to IAS 1, emphasising the concept of materiality, in connection with which separate disclosures need not be presented even when a standard requires a specific disclosure. Notes in financial statements need not be presented in a specific order - entities can apply any order. Entities should disaggregate items in the statement of financial position and statement of profit or loss and other comprehensive income as relevant, and aggregate items in the statement of financial position if such items specified in IAS 1 are not separately material. When presenting sub-totals in the statement of financial position and statement of profit or loss and other comprehensive income, detailed criteria and requirements regarding reconciliation and presentation shall be added. In addition, it shall be clarified that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss, as per IAS 1. The amendments to IAS 28 are effective from 1 January 2016, with early application permitted.

f) Amendments to IFRS 2012-2014

On 25 September 2014, the IASB published annual improvements to IFRS 2012-2014, containing amendments to four standards. In IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, specific guidance was added regarding cases in which an entity reclassifies an asset to/from held for sale to held for distribution. The amendment to IFRS 7 Financial Instruments: Disclosures concerns withdrawal of offsetting disclosure requirements in preparing condensed interim financial statements. It also adds additional guidance to clarify whether a servicing contract is considered as continuing involvement in a transferred asset for the purpose of determining the disclosures required. IAS 19 Employee Benefits introduces an amendment concerning change in discount rates for currencies where there is no developed market for high-quality corporate bonds. IAS 34 Interim Financial Reporting clarifies the meaning of 'elsewhere in the interim report' in relation to the rules and location for disclosing information about material events and transactions. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

g) Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

On 12 May 2014, the IASB amended IAS 16 Property, plant and equipment and IAS 38 Intangible assets in order to clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption. The revenue generated from activities that use a given asset usually reflect factors other than the consumed economic benefits from that asset. Revenue is not by default an appropriate manifestation of consumption of the economic benefits deriving from intangible assets. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

h) Amendments to IFRS 11 Acquisition of an interest in a joint operation

On 6 May 2014, the IASB issued amendments to IFRS 11 Acquisition of an interest in a joint operation. The introduced changes require an acquisition of an interest in a joint operation be subject to the same principles as in the case of business combinations. Such recognition is also to be applicable to acquisitions of additional interests in a joint operation, while retaining joint control. Additional interests acquired will be measured at fair value, and those held previously will not be re-measured. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2016.

i) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

On 30 June 2014, the IASB published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. These amendments are prospectively effective for reporting periods beginning on or after 1 January 2016.

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

The Company estimates that adopting the above amended standards and new interpretations does not have a significant impact on its financial statements for 2016.

Earlier application of standards and applications:

In preparing these financial statements, the Company decided against the earlier application of any standards.

Standards that have been published but are not yet in force:

a) IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued a full version of the new standard IFRS 9 Financial Instruments. This standard is a comprehensive set of accounting principles relating to financial instruments and it is expected to be effective from 1 January 2018. IFRS 9 will supersede the existing IAS 39 and contains guidelines regarding, among others, qualification and measurement of financial assets, calculation and recognition of impairment of financial assets, hedge accounting, recognition of the effects of changes in the fair value of financial liabilities resulting from changes in own credit risk. The majority of the above concepts had already been issued in the past. The final draft of IFRS 9 includes amended (comparing to the drafts published in 2009 and 2010) principles for classification of financial instruments, defines a new category - 'measured at fair value through other comprehensive income,' and establishes principles for calculating and recognising impairment based on the expected loss model. These amendments will be prospectively effective for reporting periods beginning on or after 1 January 2018.

b) IFRS 15 Revenue from Contracts with Customers

On 28 May 2014, the IASB issued a new standard concerning recognition of revenue - IFRS 15 Revenue from Contracts with Customers. The above standard specifies principles for recognition of all types of revenue resulting from contracts with customers (clients). The standard does not apply only to contracts that are covered by IAS/IFRS concerning leasing, insurance contracts and financial instruments. Pursuant to IFRS 15, an entity should recognise revenue in such manner as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As regards identifying a contract, IFRS 15 introduces the requirement that the entity assesses whether receiving payment from a customer is likely. IFRS 15 will be effective for reporting periods beginning on or after 1 January 2018.

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

The Company estimates that adopting the above amended standards and new interpretations does not have a significant impact on its financial statements.

Earlier application of standards and applications:

In preparing these financial statements, the Company decided against the earlier application of any standards.

Standards and interpretations not yet endorsed by the European Union:

a) New standard IFRS 14 Regulatory Deferral Accounts

On 30 January 2014, the IASB issued a new standard the objective of which is to increase the comparability of financial statements of rate-regulated entities. This standard provides a framework for recognising items constituting revenue or costs qualified for recognition as a result of the rate-regulating laws in effect and which do not qualify as assets or liabilities under the requirements of other IFRSs.

b) IFRS 16 Leases

On 13 January 2016, the IASB published a new standard concerning recognition, presentation and scope of disclosure for leases. The standard introduces a uniform model that replaces the existing division of leases into operating and financial. Lessees will be required to recognise assets and liabilities for all lease contracts executed for a period longer than 12 months (except for assets of low value) and depreciate the asset separately, without interest from the liability. As regards lease recognition rules for lessors, IFRS 16 is in line with IAS 17. As a result, the lessor will continue to classify leases as operating and financial. IFRS 16 will be effective for reporting periods beginning on or after 1 January 2019.

c) Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture

On 11 September 2014, the IASB published amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments introduce the requirement that the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognised in full. Partial recognition of the gain or loss resulting will be applicable if the transaction concerns assets that do not constitute a business, even if such assets were held by a subsidiary.

d) Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

On 19 January 2016, the IASB published amendments to IAS 12 aiming to clarify the conditions for recognising deferred income tax assets resulting from unrealised losses on debt instruments classified as available-for-sale. IAS 12 will be effective for reporting periods beginning on or after 1 January 2017.

e) Amendments to IAS 7 - Disclosures

On 29 January 2016, the IASB published amendments to IAS 7 aiming to introduce a requirement to disclose changes in liabilities arising from financing activities connected and not connected with financing cash flows. IAS 7 will be effective for reporting periods beginning on or after 1 January 2017.

f) Clarifications to IFRS 15 Revenue from Contracts with Customers - Amendments to IFRS 15

On 12 April 2016, the IASB published amendments to a new standard concerning revenue, explaining certain requirements and introducing additional simplifications to transition rules. The published amendments have no impact on the main rules of the standard, just clarify their application. The amendments clarify how to identify performance obligations, that an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and could be a principal for some specified goods or services and an agent for others and how to determine whether a licence is transferred at a point in time or over time. Aside from the above, two additional practical expedients were provided to reduce complexity and costs related to first-time adoption of the standard. Amendments to IFRS 15 will be effective from 1 January 2018.

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

On 20 June 2016, the IASB issued Amendments to IFRS 2. These amendments introduce additional guidelines for the accounting for cash-settled share-based payment transactions and add an exception permitting the accounting for equity-based instruments to be recognised if such accounting for share-based payments was divided into equity instruments given to an employee and a cash payment to tax authorities. Amendments to IFRS 2 will be effective from 1 January 2018.

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

On 12 September 2016, the IASB issued Amendments to IFRS 4. The amendments address concerns about issues arising from implementing IFRS 9 Financial Instruments before the new insurance contracts Standard comes into effect, which the Board is working on. In order to avoid volatility of results in connection with the implementation of IFRS 9, amendments to IFRS 4 introduce two permissible approaches: the overlay approach and the deferral approach. Amendments to IFRS 4 will be effective from 1 January 2018.

i) Annual improvements to IFRSs 2014-2016

On 8 December 2016, the IASB published Annual Improvements to IFRSs 2014–2016 Cycle, which amend three 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.

j) Amendments to IAS 40: Transfers of Investment Property

On 8 December 2016, the IASB published amendments to IAS 40, which clarify requirements for transferring to and from investment property. The amendment applies to annual periods beginning on or after 1 January 2018.

k) IFRIC 22: Foreign Currency Transactions and Advance Consideration

On 8 December 2016, the IASB published amendments to IFRIC 22, which clarify 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.

Earlier application of standards and applications:

The Company 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 Company considers use of the above standards not to have a significant impact on the financial statements in the period following their application.

6.2.7 Accounting estimates

Preparing financial statements in accordance with EU IFRS requires that the management use certain accounting estimates and assumptions concerning future events which may have an impact on the value of assets, liabilities, revenues and costs presented in current and future financial statements. Estimates and 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 Company has no influence over (e.g. market conditions) might result in a change of the adopted economic life-cycles. Each year, the Company 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 Company is not a party to any remuneration agreements or collective labour agreements and does not have employee pension programmes.
The Company estimates its 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 6.3.18.
Furthermore, the Company 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 Company 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 6.3.11

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.

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 6.3.9 and 6.3.19.

Provisions

The Company 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 Company 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 6.3.18.

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 Company 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 Company 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 Company 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 Company'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. The initial value includes a portion of borrowing costs.
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 Company 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 Company 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 Company 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 Company tests property, plant and equipment 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.
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 Company 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 Company 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 cost 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 Company 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 Company 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 Company 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. 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.
Amortisation of investment properties (excluding land) is recognised using the straight-line approach throughout the useful period of a given tangible asset.

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 events occurring thereafter.

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 Company 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 Company 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 form 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 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 Company will not be able to receive all due amounts as per the original terms of the receivable.

The Company 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 balanced out 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.

6.2.18 Prepayments and deferred revenue

The Company 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 Company 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.

6.2.19 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.

6.2.20 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.

6.2.21 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.

6.2.22 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 having maturities longer than 12 months from the end of the reporting period.

6.2.23 Provisions

The Company 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.

6.2.24 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.

6.2.25 Employee benefits

6.2.25.1 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 (in selling costs or administrative expenses, respectively).

6.2.25.2 Share-based payments

The Group has the following incentive schemes:
- Management Options Programme I 2008-2009,
- Management Options Programme II 2010-2012 (programme was not used in 2012)

under which members of the Management Board and key managers are entitled to acquire options (bonds) to purchase shares in the company. These benefits are settled in accordance with IFRS 2. The costs of transactions settled with employees using equity instruments are measured at fair value on the date on which such rights become vested. The programme's fair value is recorded as a cost in the statement of profit and loss and as equity (management options provision) throughout the vesting period.
The fair value of the options (bonds) to purchase shares in the Company is estimated by an independent expert using modern financial engineering and numerical methods. The measurement includes: the model input price (share price on the date on which a given instrument is granted), the instrument's exercise price, expected volatility, risk-free interest rate and the expected dividends.

6.2.26 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.

6.2.27 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 other than the Company's ordinary course of business is recorded in other operating revenue (e.g. gain on disposal of non-financial non-current assets, penalties and damages received, reimbursements). Finance income includes proceeds from disposal of financial assets, dividends and interest income derived from financial instruments.

Revenue from sale of goods

Revenue from sales is recognised when the product is sold to the customer. 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 commercial agency 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.

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.

6.2.28 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 – cover expenses connection with selling and distributing goods and services.
Administrative expenses – cover costs incurred in connection with general company operations other than those classified as other operating expenses or finance costs.
Other operating costs – cover 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 – cover 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.

6.2.29 Foreign-currency transactions and exchange differences

Transactions expresses in foreign currencies are recognised in the Company'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)

6.3Additional explanatory notes

6.3.1 Property, plant and equipment

	31 Dec 2016	31 Dec 2015
Technical equipment and machinery	79	56
Means of transport	582	555
Other PP&E	1	1
Net property, plant and equipment	**662**	**612**

6.3.2 Change in property, plant and equipment

2016	- Technical equipment and machinery	- Means of transport	- Other PP&E	- Total property, plant and equipment
a) gross value of property, plant and equipment, as at the beginning of period	**173**	**795**	**14**	**982**
b) increases (due to)	**47**	**320**	**-**	**367**
- purchase	*47*	*320*	*-*	*367*
c) decreases (due to)	**(12)**	**(276)**	**-**	**(288)**
- sale	*-*	*(276)*	*-*	*(276)*
- liquidation (scrapping)	*(12)*	*-*	*-*	*(12)*
d) gross value of property, plant and equipment, as at the end of period	**208**	**839**	**14**	**1 061**
e) amortisation as at the beginning of period	**117**	**240**	**13**	**370**
f) increase of depreciation (due to)	**25**	**159**	**0**	**184**
- depreciation	*25*	*159*	*0*	*184*
g) decrease of depreciation (due to)	**(13)**	**(142)**	**-**	**(155)**
- sale	*-*	*(142)*	*-*	*(142)*
- liquidation (scrapping)	*(13)*	*-*	*-*	*(13)*
h) depreciation as at the end of period	**129**	**257**	**13**	**399**
k) net value of property, plant and equipment, as at the end of period	**79**	**582**	**1**	**662**

(amounts in PLN 000s, unless otherwise stated)

2015	- Technical equipment and machinery	- Means of transport	- Other PP&E	- Total property, plant and equipment
a) gross value of property, plant and equipment, as at the beginning of period	**168**	**686**	**14**	**868**
b) increases (due to)	**17**	**169**	**-**	**186**
- purchase	*17*	*169*	*-*	*186*
c) decreases (due to)	**(12)**	**(60)**	**-**	**(72)**
- sale	*(3)*	*(60)*	*-*	*(63)*
- liquidation (scrapping)	*(9)*	*-*	*-*	*(9)*
d) gross value of property, plant and equipment, as at the end of period	**173**	**795**	**14**	**982**
e) amortisation as at the beginning of period	**106**	**116**	**13**	**235**
f) increase of depreciation (due to)	**21**	**135**	**0**	**156**
- depreciation	*21*	*135*	*0*	*156*
g) decrease of depreciation (due to)	**(10)**	**(11)**	**-**	**(21)**
- sale	*(1)*	*(11)*	*-*	*(12)*
- liquidation (scrapping)	*(9)*	*-*	*-*	*(9)*
h) depreciation as at the end of period	**117**	**240**	**13**	**370**
k) net value of property, plant and equipment, as at the end of period	**56**	**555**	**1**	**612**

In the course of its operations, the Company leases and rents office equipment for its own purposes.

Leasing costs in 2015:

- Buildings and facilities PLN 58 200.72
- Office equipment PLN 11 573.17

Leasing costs in 2016:

- Buildings and facilities PLN 69 736.25
- Office equipment PLN 11 020.27

The Company does not own any property, plant and equipment that would have limited ownership or usage rights.

The Company did not recognise any impairment of property, plant and equipment.

Depreciation of property, plant and equipment was recognised in 2016 as administrative expenses and cost of services sold.

The Company does not have credit, loans or other liabilities that would be secured by property, plant and equipment items.

(amounts in PLN 000s, unless otherwise stated)

As at 31 December 2016, there were no contractual liabilities incurred in connection with the purchase of property, plant and equipment.

6.3.3 Investment properties

	31 Dec 2016	31 Dec 2015
Land, including:	11 083	11 102
Perpetual usufruct rights	*868*	*887*
Buildings and structures	43 688	36 358
- including: investments in third-party tangible assets	-	-
Technical equipment and machinery	135	115
Other PP&E	10	6
PP&E under construction	-	7 985
Net investment properties	**54 916**	**55 566**

PP&E under construction	31 Dec 2016	31 Dec 2015
Buildings and structures	-	7 985
Total property, plant and equipment under construction	**-**	**7 985**

Property, plant and equipment used pursuant to lease and rental agreements (off-balance sheet), operating leasing	31 Dec 2016	31 Dec 2015
Land, including:	668	668
Perpetual usufruct rights	*668*	*668*
Total	**668**	**668**
The value of the rights to perpetual usufruct of land is based on a valuation for the purposes of establishing the fees for the perpetual use of land.	-	-

(amounts in PLN 000s, unless otherwise stated)

6.3.4 Change in investment properties

2016	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil engineering structures	- Technical equipment and machinery	- Other PP&E	- Other production in progress	Total investment properties
a) gross value of investment properties as at the beginning of period	**11 156**	**38 533**	**318**	**11**	**7 985**	**58 003**
b) increases (due to)	**-**	**8 425**	**62**	**5**	**481**	**8 973**
- purchase	*-*	*-*	*27*	*-*	*481*	*508*
- transfer from production-in-progress	*-*	*8 425*	*35*	*5*	*-*	*8 465*
c) decreases (due to)	**-**	**-**	**-**	**-**	**(8 466)**	**(8 466)**
- transfer to property, plant and equipment	*-*	*-*	*-*	*-*	*(8 466)*	*(8 466)*
d) gross value of investment properties at the end of period	**11 156**	**46 958**	**380**	**16**	**-**	**58 510**
e) amortisation as at the beginning of period	**54**	**2 175**	**203**	**5**	**-**	**2 437**
f) increase of depreciation (due to)	**19**	**1 095**	**42**	**1**	**-**	**1 157**
- depreciation	*19*	*1 095*	*42*	*1*	*-*	*1 157*
g) decrease of depreciation (due to)	-	-	-	-	-	-
h) depreciation as at the end of period	**73**	**3 270**	**245**	**6**	**-**	**3 594**
k) net value of investment properties at the end of period	**11 083**	**43 688**	**135**	**10**	**-**	**54 916**

(amounts in PLN 000s, unless otherwise stated)

2015	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil engineering structures	- Technical equipment and machinery	- Other PP&E	- Other production in progress	Total investment properties
a) gross value of investment properties as at the beginning of period	**7 234**	**34 146**	**322**	**13**	**6 216**	**47 931**
b) increases (due to)	**7 153**	**13 748**	**4**	**-**	**22 669**	**43 574**
- purchase	-	*1*	*4*	-	*22 669*	*22 674*
- transfer from production-in-progress	*7 153*	*13 747*	-	-	-	*20 900*
c) decreases (due to)	**(3 231)**	**(9 361)**	**(8)**	**(2)**	**(20 900)**	**(33 502)**
- sale	*(3 231)*	*(9 361)*	*(8)*	*(2)*	-	*(12 602)*
- transfer to property, plant and equipment	-	**-**	-	-	*(20 900)*	*(20 900)*
d) gross value of investment properties at the end of period	**11 156**	**38 533**	**318**	**11**	**7 985**	**58 003**
e) amortisation as at the beginning of period	**100**	**1 415**	**170**	**7**	-	**1 692**
f) increase of depreciation (due to)	**35**	**1 052**	**41**	1	-	**1 129**
- depreciation	*35*	*1 052*	*41*	*1*	-	1 129
g) decrease of depreciation (due to)	**(81)**	**(292)**	**(8)**	**(3)**	-	**(384)**
- sale	*(81)*	*(292)*	*(8)*	*(3)*	-	*(384)*
h) depreciation as at the end of period	**54**	**2 175**	**203**	**5**	-	**2 437**
k) net value of investment properties at the end of period	**11 102**	**36 358**	**115**	**6**	**7 985**	**55 566**

(amounts in PLN 000s, unless otherwise stated)

6.3.5 Intangible assets

	31 Dec 2016	31 Dec 2015
Acquired concessions, patents, licences and similar	1 156	1 362
Intangible assets in progress	-	108
Total intangible assets	**1 156**	**1 470**

The Company does not have any intangible assets used under lease agreements.

The Company does not have any intangible assets with restricted usage rights.

The Company does not have any bank credit that would be secured by intangible assets.

The Company does not have any intangible assets with restricted usage periods.

Amortisation of intangible assets was recognised in 2016 as administrative expenses.

As at 31 December 2016, 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

2016	Acquired concessions, patents, licences and similar	Intangible assets in progress	Total Intangible assets
a) gross values of intangible assets as at the beginning of period	**8 350**	**108**	**8 458**
b) increases (due to)	**124**	**-**	**124**
- purchase	*16*	*-*	*16*
- transfer from investment	*108*	*-*	*108*
c) decreases (due to)	**(2)**	**(108)**	**(110)**
- transfer to intangible assets	*-*	*(108)*	*(108)*
- other	*(2)*	*-*	*(2)*
d) gross values of intangible assets as at the end of period	**8 472**	**-**	**8 472**
e) amortisation as at the beginning of period	**6 989**	**-**	**6 989**
f) increase of depreciation (due to)	**329**	**-**	**329**
- depreciation	*329*	*-*	*329*
g) decrease of depreciation (due to)	**(2)**	**-**	**(2)**
- other	*(2)*	*-*	*(2)*
h) depreciation as at the end of period	**7 316**	**-**	**7 316**
k) net value of intangible assets as at the end of period	**1 156**	**-**	**1 156**

2015	Acquired concessions, patents, licences and similar	Intangible assets in progress	Total Intangible assets
a) gross values of intangible assets as at the beginning of period	**8 121**	**-**	**8 121**
b) increases (due to)	**229**	**108**	**337**
- purchase	*229*	*108*	*337*
c) decreases (due to)	**-**	**-**	**-**
d) gross values of intangible assets as at the end of period	**8 350**	**108**	**8 458**
e) amortisation as at the beginning of period	**6 533**	**-**	**6 533**
f) increase of depreciation (due to)	**456**	**-**	**456**
- depreciation	*456*	*-*	*456*
g) decrease of depreciation (due to)	**-**	**-**	**-**
h) depreciation as at the end of period	**6 989**	**-**	**6 989**
k) net value of intangible assets as at the end of period	**1 362**	**108**	**1 470**

(amounts in PLN 000s, unless otherwise stated)

6.3.7 Financial assets

	31 Dec 2016	31 Dec 2015
Equity interests	204 614	204 437
- including: Stokrotka Sp. z o.o.	*197 836*	*197 836*
Infinite Sp. z o.o.	*6 433*	*6 433*
Eldorado Sp. z o.o.	*345*	*72*
Ekon Sp. z o.o.	*-*	*96*
Other equity interests	221 672	221 672
- including: Elpro Development S.A.	*221 672*	*221 672*
Eurocash S.A.	*0*	*0*
Total net financial assets	**426 286**	**426 109**

The changes in financial assets presented below, recognised as increases, cover the purchase of equity interests, share capital increases and conversion of shares in subsidiaries,

The changes in financial assets presented below, which are recognised as decreases, are the effect of recognising impairment of subsidiaries and changes in the legal form of subsidiaries.

A detailed description of transactions connected with changes in non-current assets during 2016 is presented in note 6.3.51.

As at the end of the reporting period and previous period, the Company did not have any other securities or financial assets and did not issue loans that could constitute non-current financial assets. During the year covered by the financial statements, the Company did not execute any transactions that would involve this type of asset.

6.3.8 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	**204 437**	**221 672**	**426 109**
b) increases (due to)	**580**	**-**	**580**
- capital increase	*580*	*-*	*580*
c) decreases (due to)	**(403)**	**-**	**(403)**
- sale	*(403)*	*-*	*(403)*
d) financial assets as at the end of period	**204 614**	**221 672**	**426 286**

(amounts in PLN 000s, unless otherwise stated)

2015	Equity interests	Other equity interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**114 519**	**221 685**	**336 204**
b) increases (due to)	**90 107**	**5**	**90 112**
- purchase	*90 107*	-	90 107
- revaluation (fair value)	-	*5*	*5*
c) decreases (due to)	**(189)**	**(18)**	**(207)**
- impairment	*(189)*	*(5)*	*(194)*
- other	-	*(13)*	*(13)*
d) financial assets as at the end of period	**204 437**	**221 672**	**426 109**

6.3.9 Deferred income tax assets

	31 Dec 2016	31 Dec 2015
Deferred income tax assets at the beginning of period, including:	**102**	**94**
a) recognised through profit or loss	*101*	*93*
b) recognised through equity	*1*	*1*
Increases	**57**	**8**
a) recognised through profit or loss	*55*	*7*
b) recognised through equity	*2*	*1*
Decreases	-	-
Deferred income tax assets at the end of period, including:	**159**	**102**
a) recognised through profit or loss	*156*	*101*
b) recognised through equity	*3*	*1*

There were no unrecognised deferred income tax assets in 2016 and 2015.

Deferred income tax assets, the basis of which are temporary differences resulting from:	31 Dec 2016	31 Dec 2015
Trade receivables	12	15
Remuneration and social security liabilities	19	19
Pension provision	6	5
Provision for untaken holidays and similar	26	19
Provision for pay bonuses and similar	71	39
Deduction of discount on own bonds	3	-
Audit provision	19	4
- Other	3	1
Deferred income tax assets at the end of period	**159**	**102**

	31 Dec 2016	31 Dec 2015
Deferred income tax assets:	**159**	**102**
- to be realised within 12 months	155	101
- to be realised after 12 months	4	1

(amounts in PLN 000s, unless otherwise stated)

6.3.10 Other non-current prepayments

	31 Dec 2016	31 Dec 2015
Subscriptions and annual fees	3	0
Total other non-current prepayments	**3**	**0**

Prepayments include costs that are to be accounted for in the period from 24 to 60 months.

6.3.11 Current receivables

	31 Dec 2016	31 Dec 2015
For products and services	3 672	3 605
- including: from related parties	*371*	*519*
For taxes and other state fees	201	272
Under judicial enforcement	64	5
Advances paid for supplies	-	5
Other receivables	1 052	2 357
- including: from related parties	*14*	*1 027*
Impairment of receivables	(2 036)	(2 352)
Total net receivables	**2 953**	**3 892**

The main item of *other receivables* constitutes

a) the value of receivables that the Company received pursuant to receivables assignment agreements executed on 31 January 2011 with entities operating in the distribution segment. As at 31 December 2016, the total value of acquired receivables was PLN 1 135 948.47 and was covered by an impairment loss.

Impairment of receivables	31 Dec 2016	31 Dec 2015
Impairment of receivables as at the beginning of period	**(2 352)**	**(2 761)**
Increases (recognition of new impairment losses)	**(57)**	**(86)**
- for products and services	*(57)*	*(86)*
- including due to assignment of rights	*-*	*-*
Decreases	**373**	**496**
- for products and services	*100*	*90*
- including due to assignment of rights	*273*	*406*
Reversal	**110**	**110**
- for products and services	*97*	*64*
- including due to assignment of rights	*13*	*46*
Derecognised from the statement of profit and loss	**263**	**386**
- for products and services	*3*	*26*
- including due to assignment of rights	*260*	*360*
Impairment of receivables as at the end of period	**(2 036)**	**(2 352)**
- for products and services	*(986)*	*(1 029)*
- including due to assignment of rights	*(1 050)*	*(1 323)*

(amounts in PLN 000s, unless otherwise stated)

The Company did not recognise or reverse impairment losses on receivables from related parties during the year covered by the financial statements and the preceding year.

Ageing structure of trade receivables	31 Dec 2016	31 Dec 2015
up to 1 month	1 191	1 230
1 - 3 months	0	-
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
Overdue	2 481	2 375
Impairment of receivables	(986)	(1 029)
Total net receivables	**2 686**	**2 576**

Ageing structure of overdue trade receivables	31 Dec 2016	31 Dec 2015
up to 1 month	272	109
1 - 3 months	40	43
3 - 6 months	13	16
6 - 12 months	2	1 219
over 1 year	2 153	988
Impairment of receivables	(986)	(1 029)
Total net overdue receivables	**1 494**	**1 346**

A detailed description of transactions with subsidiaries is presented in note 6.3.42.

Interest is not charged on overdue trade receivables, which typically have 7-21-day payment deadlines.

As at the end of 2016 and the preceding year, there were no restrictions in ownership rights regarding off-balance sheet collateral established.

6.3.12 Short-term securities

	31 Dec 2016	31 Dec 2015
Shares in investment funds (TFI)	-	11 138
- including: related parties	-	-
Total short-term securities	**-**	**11 138**

Similar to the previous year, in 2016 the Company only purchased bonds issued by subsidiaries. Interest on such bonds is set based on market conditions, and the bonds are carried at amortised cost.
Information about the Company's interest income connected with redemption of bonds by issuers is presented in note 6.3.29.

Stakes in TFIs are measured at fair value in accordance with IFRS 13. The value of TFI shares is publicly disclosed.

(amounts in PLN 000s, unless otherwise stated)

Short-term bond purchases (expressed in par values):

Issue and buy-back of bonds in 2016	Stokrotka Sp. z o.o.	Elpro Ekon Sp. z o.o. S.K.A.	P3 Ekon Sp. z o.o. S.K.A.	Total
As at the beginning of period	-	-	-	-
Issue of bonds	-	-	*40 000*	*40 000*
Redemption of bonds by issuer	-	-	*(20 000)*	*(20 000)*
As at the end of period	**-**	**-**	**20 000**	**20 000**
As at the end of period, after discount	-	-	-	-

Issue and buy-back of bonds in 2015	Stokrotka Sp. z o.o.	Elpro Ekon Sp. z o.o. S.K.A.	P3 Ekon Sp. z o.o. S.K.A.	Total
As at the beginning of period	**100 000**	**33 500**	-	**133 500**
Issue of bonds	*524 845*	*301 460*	-	*826 305*
Redemption of bonds by issuer	*(624 845)*	*(334 960)*	-	*(959 805)*
As at the end of period	**0,00**	**0,00**	**-**	**0,00**
As at the end of period, after discount	-	-	-	-

6.3.13 Current prepayments

	31 Dec 2016	31 Dec 2015
Insurance	31	4
Rents	4	-
Technical supervision	4	-
Subscriptions and annual fees	17	5
Costs to be re-invoiced	49	32
Other fees	0	46
Total current prepayments, by title	**106**	**87**

6.3.14 Cash and cash equivalents

	31 Dec 2016	31 Dec 2015
Cash at bank accounts	5 290	10 571
Total cash	**5 290**	**10 571**

Information about interest income on deposits received by the Company is presented in note 6.3.29.

(amounts in PLN 000s, unless otherwise stated)

6.3.15 **Share capital structure as at 31 December 2016**

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue	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 Holding S.A.'s share capital are fully paid-in.

(amounts in PLN 000s, unless otherwise stated)

Share capital structure as at 31 December 2015

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue	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	2 172 015	2 172 015	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
Total number of shares			**13 235 495**				
Total share capital				**13 235 495**			
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 2015, Elpro Development S.A. held 967 876 shares of Emperia Holding S.A., which were excluded from the count of percentage stakes in total voting rights at the Issuer's General Meeting.

All shares within Emperia Holding S.A.'s share capital are fully paid-in.

(amounts in PLN 000s, unless otherwise stated)

Changes in shareholding by Supervisory Board members

Shareholders with at least 5% of votes at the Company's general meeting, at report publication date

Shareholders	Shares held, as at 31 December 2016	% in share capital	% change	Shares held, as at 31 December 2015	% in share capital as at 31 Dec 2015	GM votes at 31 December 2016	% of votes at general meeting at 31 Dec 2016
Ipopema TFI	1 458 583	11.82%	-	1 458 583	11.02%	1 458 583	12.12%
Altus TFI	1 644 493	13.32%	13.45%	1 449 528	10.95%	1 644 493	13.73%
AXA OFE	977 481	7.92%	-	977 481	7,39%	977 481	8.16%
Aviva OFE	834 991	6.77%	-	834 991	6.31%	834 991	6.97%
NN OFE	755 713	6.12%	-	755 713	5.71%	755 713	6.31%
MetLife OFE	632 417	5.12%	-	-	-	632 417	5.28%

At 31 December 2016, Elpro Development S.A. held 367 991 shares of Emperia Holding S.A.

Information on share issues and share cancellations in 2016 is presented in point 6.3.51 a)

Changes in shareholding by Management Board members

Management Board members	Shares held, as at 31 December 2016	% in share capital	% change	Shares at 31 December 2015	% in share capital as at 31 Dec 2015
Dariusz Kalinowski	26 094	0,211%	-	26 094	0.197%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 31 December 2016	% in share capital	% change	Shares at 31 December 2015	% in share capital as at 31 Dec 2015
Jarosław Wawerski	19 494	0,158%	-	19 494	0.147%

6.3.16 Retained earnings

	31 Dec 2016	31 Dec 2015
Profit for the period	18 014	25 444
Deductions from profit for financial year	(9)	(2)
Total retained earnings	**18 005**	**25 442**

(amounts in PLN 000s, unless otherwise stated)

6.3.17 Non-current liabilities

	31 Dec 2016	31 Dec 2015
Collateral (rent)	112	89
Total	**112**	**89**

6.3.18 Provisions

	31 Dec 2016	31 Dec 2015
Employee benefit provisions	**561**	**338**
a) retirement pay	*34*	*29*
b) untaken holidays	*138*	*98*
c) annual pay bonuses	*373*	*207*
e) actuarial losses	*16*	*4*
Other provisions	**99**	**19**
a) audit of financial statements	*99*	*19*
Total provisions	**660**	**357**

Provisions	31 Dec 2016	31 Dec 2015
Non-current	**49**	**32**
a) retirement pay	*34*	*29*
b) actuarial losses	*16*	*4*
Current	**611**	**325**
a) retirement pay	*0*	*0*
b) untaken holidays	*138*	*98*
c) annual pay bonuses	*373*	*207*
d) audit of financial statements	*99*	*19*
Total provisions	**660**	**357**

Change in employee benefit provisions	31 Dec 2016	31 Dec 2015
Employee benefit provision - retirement pay - as at the beginning of period	**29**	**25**
Increases	5	4
Decreases	-	-
Employee benefit provision - retirement pay - as at the end of period	**34**	**29**
Employee benefit provision - untaken holidays - as at the beginning of period	**98**	**94**
Increases	*40*	*4*
Decreases	-	-
Employee benefit provision - untaken holidays - as at the end of period	**138**	**98**

(amounts in PLN 000s, unless otherwise stated)

Employee benefit provision - annual pay bonuses - as at the beginning of period	**207**	**169**
Increases	*165*	*38*
Decreases	-	-
Employee benefit provision - annual pay bonuses - as at the end of period	**373**	**207**
Provisions for actuarial gains/losses at the beginning of period	**4**	**1**
Increases	*12*	*3*
Decreases	-	-
Provisions for actuarial gains/losses at the end of period	**16**	**4**
Employee benefit provision - employment restructuring - as at the beginning of period	**-**	**66**
Increases	-	-
Decreases	-	*(66)*
Employee benefit provision - employment restructuring - as at the end of period	**-**	**-**
Employee benefit provisions as at the beginning of period	**338**	**355**
Increases	*223*	*49*
Decreases	-	*(66)*
Employee benefit provisions as at the end of period	**561**	**338**

Recognition and reversal of provisions were recorded in administrative expenses in the statement of profit and loss for 2016, except for actuarial losses, which were recognised in retained earnings.

Changes in other provisions	31 Dec 2016	31 Dec 2015
Other provisions at the beginning of period	19	18
Increases	130	35
Increases	(50)	(34)
Other provisions at the end of period	**99**	**19**

Employee benefit provision - post-employment benefits

One-off retirement/disability allowances	31 Dec 2016	31 Dec 2015
As at the beginning of period	**33**	**26**
including: long-term	*33*	*26*
short-term	*0*	*0*
Employment costs	4	3
including: current employment costs	*4*	*3*
future employment costs	*0*	*0*
Net interest on net liabilities	1	1
Actuarial (gains) losses	*11*	*3*
(Benefits paid out)	0	*0*
As at the end of period	**50**	**33**
including: long-term	*49*	*33*
short-term	*1*	-

(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 2016)

	One-off retirement/disability allowances
Discount rate growth by 0.5%	(2)
Discount rate decrease by 0.5%	2
Wage growth increase by 0.5%	2
Wage growth decrease by 0.5%	(2)
Turnover growth by 0.5%	-
Turnover decrease by 0.5%	-

Liabilities for future employee benefits, including one-off retirement/disability allowances paid out after employment at the Company 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 Company relating to the amounts of employee benefits and data supplied by the Company, 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 2016 were as follows:
- discount rate - 3.6% in 2017 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 2017 and subsequent years,
- employee turnover - 7.5% 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.

6.3.19 Deferred income tax provisions

	31 Dec 2016	31 Dec 2015
Deferred income tax provisions at the beginning of period, including:	**642**	**670**
a) recognised through profit or loss	642	670
Increases	13	-
a) recognised through profit or loss	*13*	-
Decreases	-	(29)
a) recognised through profit or loss	-	*(29)*
Deferred income tax provisions at the end of period, including:	**655**	**642**
a) recognised through profit or loss	*655*	*642*

(amounts in PLN 000s, unless otherwise stated)

Deferred income tax provisions, the basis of which are temporary differences resulting from:	31 Dec 2016	31 Dec 2015
Revaluation of financial assets	-	79
Difference between the balance sheet value and tax value of property, plant and equipment	655	563
Other items	0	-
Deferred income tax provisions at the end of period	**655**	**642**

	31 Dec 2016	31 Dec 2015
Deferred income tax provisions:	**655**	**642**
- to be realised within 12 months	0	79
- to be realised after 12 months	655	563

6.3.20 Credit facilities, loans, debt instruments and other current financial liabilities

	31 Dec 2016	31 Dec 2015
Debt instruments	19 959	0
Total credit facilities, loans, debt instruments and other current financial liabilities	**19 959**	**0**

Bonds issued

On 12 June 2014, the Management Board of Emperia Holding S.A. adopted a resolution on issue by the Company of 114 564 series A bonds convertible to series P shares.

On 15 June 2015, the Management Board of Emperia Holding S.A. adopted a resolution on issue by Emperia Holding S.A. of 44 068 series B bonds convertible to series P shares.

A proposal to purchase bonds was submitted to Millennium Dom Maklerski S.A. In the period 2014-2016, Emperia Holding S.A. bought back all series A and B bonds, as communicated by the Company via current reports.

6.3.21 Current liabilities

	31 Dec 2016	31 Dec 2015
For products and services	553	1 445
- including: towards related parties	*145*	*136*
For taxes and other state fees	547	486
Remuneration	179	168
Other liabilities	77	55 804
- including: towards related parties	-	-
Total liabilities	**1 356**	**57 903**

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of trade payables	31 Dec 2016	31 Dec 2015
up to 1 month	405	1 431
1 - 3 months	0	-
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
Overdue	148	14
Total liabilities	**553**	**1 445**

Ageing structure of overdue trade payables	31 Dec 2016	31 Dec 2015
up to 1 month	114	11
1 - 3 months	29	3
3 - 6 months	-	-
6 - 12 months	5	0
over 1 year	-	-
Total overdue liabilities	**148**	**14**

Trade payables are settled within the contractual deadlines, which range from seven to 21 days.

At 31 December 2016, the main item of other liabilities was a liabilities connected with the purchase of own shares by Emperia Holding S.A. from Elpro Development S.A. for PLN 55 616 314.33, with payment due on 13 November 2016.

A detailed description of related-party transactions is presented in note 6.3.42.

6.3.22 Deferred revenue, by title

	31 Dec 2016	31 Dec 2015
Payment of compensation	6	1
Contractual penalties	1 208	1 208
Other	53	-
Total deferred revenue, by title	**1 267**	**1 209**

(amounts in PLN 000s, unless otherwise stated)

6.3.23 Restatement of comparative data

The Company 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 Company introduced changes to the presentation of assets and liabilities that had no impact on previously presented amounts of equity. These changes did not necessitate restatement of the consolidated statement of cash flows.

Summary of changes introduced to comparative data:

1. Change in the way properties transferred for use pursuant to operating lease contracts are presented - presentation of the Company's properties divided into investments and tangible assets. Previously, all properties were presented as tangible assets; currently, properties worth PLN 55 565 955.08, which the Company rents out to external counterparties, are presented in the investment properties item. The Company uses the historic cost model for investment properties therefore this change has no impact on the measurement of these assets.

Restatement of the statement of financial position as at 31 December 2015

	As at 31 December 2015 (reported data)	Presentation change	As at 31 December 2015 (restated)
Investment properties	-	55 566	55 566
Property, plant and equipment	56 178	(55 566)	612

6.3.24 Net revenue from sale of services

Net revenue from sales of services (product structure - types of activities)	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Sale of services	15 910	15 506
including: to related parties	*10 206*	*10 805*
Total net revenue from sale of services	**15 910**	**15 506**
including: to related parties	*10 206*	*10 805*

Net revenue from sales of products and services (geographical structure)	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Domestic	15 910	15 506
including: to related parties	*10 206*	*10 805*
Export	-	-
including: to related parties	-	-
Total net revenue from sale of services	**15 910**	**15 506**
including: to related parties	*10 206*	*10 805*

(amounts in PLN 000s, unless otherwise stated)

6.3.25 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 2016	12 months ended 31 Dec 2015
Sale of goods and materials	42	34
including: to related parties	*42*	*32*
Total net revenue from sale of goods and materials	**42**	**34**
including: to related parties	*42*	*32*

Total net revenue from sale of goods and materials (geographical structure)	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Domestic	42	34
including: to related parties	*42*	*32*
Export	-	-
including: to related parties	-	-
Total net revenue from sale of goods and materials	**42**	**34**
including: to related parties	*42*	*32*

6.3.26 Other operating revenue

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Gain on disposal of other non-financial non-current assets	165	342
Impairment of assets	52	24
Other operating revenue	37	70
Total other operating revenue	**254**	**436**

Impairment of financial and non-financial assets		
Recognition of receivables impairment (negative value)	*(57)*	*(86)*
Reversal of receivables impairment	*109*	*110*
Total impairment of financial and non-financial assets	**52**	**24**

Other operating revenue		
Compensation from transport insurance	14	14
VAT refund	6	2
Awarded legal costs	16	8
Rounding	0	0
Other revenue	1	46
Total other operating revenue	**37**	**70**

(amounts in PLN 000s, unless otherwise stated)

6.3.27 Costs by nature

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Depreciation / amortisation	(1 672)	(1 741)
Use of materials and energy	(1 735)	(1 781)
Third-party services	(3 826)	(3 209)
Salaries	(3 451)	(3 002)
Employee benefits	(690)	(599)
Taxes and fees	(575)	(630)
Other costs	(78)	(76)
Total costs by nature	**(12 027)**	**(11 038)**
Selling costs	-	-
Administrative expenses	(4 873)	(3 528)
Cost of manufacture of services sold	(7 154)	(7 510)

During 2015-2016, depreciation was fully recorded in administrative expenses and cost of services sold.

Employment costs	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Salaries	(3 451)	(3 002)
Social security	(546)	(500)
Workplace social security fund	(40)	(35)
Training	(91)	(56)
Other	(13)	(8)
Total employment costs	**(4 141)**	**(3 601)**

In 2016, the Company executed an agreement concerning audit and review of the 2016 semi-annual and annual consolidated financial statements with ECA Seredyński i Wspólnicy Sp. k., based in Kraków - an entity authorised to audit financial statements, entered onto to the list maintained by the Polish Chamber of Statutory Auditors under no. 3115. The Company retained the above statutory auditor to audit financial statements for 2010-2015.

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that the Supervisory Board had adopted a resolution on a change of statutory auditor for the Company for 2016 and the appointment of a statutory auditor for 2017. In connection with the above, the audit of Emperia Holding S.A.'s financial statements for 2016 and the 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 to entity authorised to audit financial statements		
Audit of financial statements	99	24
Other assurance services, including review of financial statements	24	17
Tax advisory services	4	-
Total remuneration to entities authorised to audit financial statements	**127**	**41**

(amounts in PLN 000s, unless otherwise stated)

6.3.28 Other operating expenses

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Loss on disposal of non-financial non-current assets	(6)	-
Other operating expenses	(23)	(27)
Total other operating expenses	**(29)**	**(27)**

Other operating expenses		
Donations	-	(5)
Transport-related damages	(17)	(15)
Property damages	(1)	-
Legal costs	(1)	(2)
Other costs	(4)	(5)
Total other operating expenses	**(23)**	**(27)**

Information on changes in the impairment of receivables is presented in note 6.3.11.

6.3.29 Finance income

Finance income	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Dividends received, including:	14 674	19 000
- from related parties	*14 674*	*19 000*
Interest, including:	396	2 690
- from related parties	*190*	*2 411*
Gain on disposal of investments	179	533
Other finance income	142	300
- from related parties	*142*	*186*
Total finance income	**15 391**	**22 523**

Interest income on bonds		
Interest on loans	-	74
- from related parties	*-*	*74*
Interest on bank deposits	180	255
Interest on overdue receivables	33	33
- from related parties	*14*	*9*
Interest on bonds	183	2 328
- from related parties	*176*	*2 328*
Total interest income	**396**	**2 690**

(amounts in PLN 000s, unless otherwise stated)

Other finance income		
Proceeds from collateral issued	142	186
- from related parties	*142*	*186*
Share of insurers' profits	-	114
Total other finance income	**142**	**300**

Income from collateral provided covers Emperia Holding S.A.'s fees from subsidiaries for credit collateral issued to these companies. Collateral provided in 2016 comprised sureties and guarantees.

6.3.30 Finance costs

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Interest, including:	(530)	(2)
- to related parties	*(528)*	*0*
Loss on disposal of investments	(140)	-
Other finance costs	(1)	(389)
Total finance costs	**(671)**	**(391)**

Interest costs		
Interest on overdue receivables	(460)	(1)
- including: from related parties	*(459)*	*0*
Interest on issued bonds	(70)	-
- including: from related parties	*(70)*	-
Statutory interest	0	(1)
Total interest costs	**(530)**	**(2)**

Other finance costs		
Negative exchange differences	-	(2)
Impairment of financial assets	-	(381)
Interest cost on employee provisions	(1)	(1)
Other	-	(5)
Total other finance costs	**(1)**	**(389)**

In the presented reporting periods, there were no situations where the Company was obligated to capitalise interest.

(amounts in PLN 000s, unless otherwise stated)

Profit or loss, by category of instrument		
Interest income		
Bank deposits	180	255
Bonds	183	2 328
Loans issued	-	74
Trade receivables	33	33
Other	-	-
Total interest income	**396**	**2 690**
Interest costs	-	-
Short- and long-term credit facilities	-	-
Finance leasing	-	-
Bonds issued	(70)	-
Loans received	-	-
Trade payables	(460)	(1)
Other	0	(1)
Total interest costs	**(530)**	**(2)**

6.3.31 Current income tax

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Profit before tax	18 869	27 042
Revenue not subject to taxation, according to tax regulations (decreasing the tax base)	**15 125**	**19 366**
Finance income	*15 036*	*19 278*
Other operating revenue	*89*	*88*
Items creating taxable revenue (increasing the tax base)	**-**	**21**
Finance income	-	-
Other operating revenue	-	*21*
Costs and losses not recognised as tax deductible expenses (higher tax base)	**3 206**	**2 995**
Operating expenses	*2 262*	*2 065*
Finance costs	*886*	*836*
Other operating expenses	*58*	*94*
Items increasing tax deductible expenses (lower tax base)	**2 231**	**2 325**
Taxable income	**4 720**	**8 367**
Remaining to be deducted from profit	-	-
Settlement of prior-period losses	-	-
Income tax base	**4 720**	**8 367**
Income tax at 19% rate	897	1 590
Increases, discontinuations, exemptions, deductions and decreases of tax	-	44
Current income tax, calculated for the reporting period	**897**	**1 634**

(amounts in PLN 000s, unless otherwise stated)

Effective tax rate	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Gross result:	18 869	27 042
Tax in profit or loss:	855	1 598
Preliminary effective tax rate:	4.5%	5,9%
Explanations		
Differences on deferred tax	20	36
Tax effects of non-taxable revenues, according to tax regulations	2 874	3 676
Tax effects of non-deductible costs, according to tax regulations	(164)	(127)
Adjustment of prior-period tax		(44)
After taking into consideration the explanations	3 585	5 138
Effective tax rate after explanations	19%	19%
Income tax at the 19% rate	**3 585**	**5 138**
Tax at the effective rate	**3 585**	**5 138**

The effective tax rate was mainly affected by dividends received from subsidiaries.

6.3.32 Deferred income tax recorded in profit or loss

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Decrease (increase) from recognition and reversal of temporary differences	42	36
Decrease (increase) from change in tax rates	-	-
Decrease (increase) from previously unrecognised tax losses, tax benefits or prior-period temporary differences	-	-
Decrease (increase) from impairment of deferred income tax assets or lack of option to use deferred income tax provisions	-	-
Total deferred income tax recorded in profit or loss	**42**	**36**
Deferred income tax recorded outside of profit or loss	**-**	**-**

6.3.33 Earnings per share for the period

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Profit for the period	18 014	25 444
Weighted average number of shares	12 086 113	12 506 772
Earnings per share (in PLN)	1,49	2,03
Diluted profit (loss) per share (in PLN)	1,49	2,03

(amounts in PLN 000s, unless otherwise stated)

6.3.34 Profit allocation proposed by the Management Board

	12 months ended 31 Dec 2016*	12 months ended 31 Dec 2015
Profit for the period, including:	18 014	25 444
coverage of prior-period losses	-	*2*
reserve capital	-	*25 442*

* As at the date on which these financial statements were prepared, the Management Board did not adopt a resolution on allocation of profit for 2016.

6.3.35 Cash and cash equivalents structure

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Cash at bank accounts	-	
- as at the beginning of period	*10 571*	*45 210*
- as at the end of period	*5 290*	*10 571*
Other cash instruments		
- as at the beginning of period	-	*96*
- as at the end of period	-	-
Total cash		
- as at the beginning of period	*10 571*	*45 306*
- as at the end of period	*5 290*	*10 571*

6.3.36 Reconciliation of changes in certain items of the statement of financial position and changes in those items in cash flows

	12 months ended 31 Dec 2016	12 months ended 31 Dec 2015
Change in receivables	**(75)**	**(1 703)**
- balance sheet change in receivables	*938*	*(2 660)*
- change in receivables related to disposal of property, plant and equipment	*(1 013)*	*957*
Change in liabilities	**(336)**	**(721)**
- change in liabilities	*(56 525)*	*(39 406)*
- change in liabilities connected with purchase of property, plant and equipment	-	*1 164*
- repayment of financial liabilities	*56 075*	*37 521*
- adjustment for higher investment liabilities	*113*	-

(amounts in PLN 000s, unless otherwise stated)

6.3.37 Dividends paid and received

As of the date on which this report was prepared, the Management Board had not adopted a resolution on a recommendation on the allocation of the 2016 profit.

In 2016, Emperia Holding S.A. did not pay out a dividend as part of allocating its 2015 profit. On 30 June 2016, the General Meeting of Emperia Holding S.A. adopted a resolution on use of Emperia Holding S.A.'s 2015 profit to cover prior-period losses and as reserve capital.

Dividends received:

The management board of subsidiary Infinite Sp. z o.o. passed a resolution on the payment of a dividend of PLN 6.674 million to Emperia Holding S.A. Furthermore, Elpro Development S.A.'s General Meeting passed a resolution on the payment of PLN 8 million in dividend to Emperia Holding S.A.

6.3.38 Collateral for liabilities, and contingent liabilities

Off-balance sheet liabilities concern collateral for credit facilities and bank guarantees provided to the Group as well as security interests. In addition, the majority of suppliers provide the Group with deferred payment terms (trade credit), secured by in blanco promissory notes.

2016	Credit facilities	Bank guarantees	Security interests
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**

2015	Credit facilities	Bank guarantees	Security interests
Guarantees			
As at the beginning of period	**-**	**47 500**	**23 246**
Increases during the period	-	-	*2 250*
Decreases during the period	-	-	*(15 850)*
As at the end of period	**-**	**47 500**	**9 646**

(amounts in PLN 000s, unless otherwise stated)

6.3.39 Financial and operating leasing

2016:

Arrangements containing a lease component in accordance with IFRIC 4

Asset	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*	41	41	165	206
	unspecified	-	-	-	-
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	11	11	44	55
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	

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

2015:

Arrangements containing a lease component in accordance with IFRIC 4

Asset	Term of agreement	As at 31 Dec 2015	As at 31 Dec 2016	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	*specified*	41	41	165	208
	unspecified	-	-	-	-
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	12	12	47	59
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	-

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

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

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

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

The Company did not record any such events during the reporting period.

(amounts in PLN 000s, unless otherwise stated)

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

In 2016, Emperia Holding S.A.'s transactions with related parties were executed on market terms. Other than transactions in the ordinary course of business, related-party transactions included:

- equity transactions covering share capital increases at subsidiaries, exchange of equity interests - transactions of this type executed within the Group in 2016 are described in note 6.3.51;
- equity transactions covering payment of dividend by subsidiaries - information about the level of dividends received by the Company is presented in note 6.3.37 ;
- short-term bonds were issued as part of the Group's cash flow management, as described in note 6.3.12 (not recorded in the table below);

Transactions with consolidated related parties, figures:

Name of related party, with indication of legal form	Stokrotka Sp. z o.o.	Infinite Sp. z o.o.	Eldorado Sp. z o.o.	EKON Sp. z o.o.	Elpro Development S.A.	Elpro Ekon Sp. z o.o. S.K.A.	P3 Ekon Sp. z o.o.	P5 Ekon Sp. z o.o.
Receivables	302	10	2	2	28	30	7	49
Payables	18	128	-	-	-	-	19 959	-
Transaction proceeds	8 305	514	9	9	571	598	149	91
Transaction costs	4 798	255	4	4	332	363	90	51
Purchase of services	2	1 285	-	-	-	(15)	-	-
Sale of services	8 268	509	9	9	571	598	149	91
Purchase of properties and other assets	41	-	-	-	-	-	-	-
Disposal of properties and other assets	167	33	-	-	-	-	-	-
Financing-related transfers (including loans and equity contributions), dividends - proceeds	74 000	6 674	-	-	8 000	-	39 889	-
Financing-related transfers (including loans and equity contributions), dividends - expenditures	73 824	-	274	306	-	-	20 000	-
guarantees and sureties issued	34 280	45	-	-	-	-	-	-

(amounts in PLN 000s, unless otherwise stated)

6.3.43 Average employment

2016:

Item	Total	White collar workers	Blue collar workers
Employment	64	63	1

2015:

Item	Total	White collar workers	Blue collar workers
Employment	63	62	1

6.3.44 Remuneration of Management Board and Supervisory Board members

As specified in the relevant regulations established by the Supervisory Board, 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 2016 (cash basis):

First and last name	Total salary	Pay bonus	Material considerations and sick pay	TOTAL
Kalinowski Dariusz	102	184	-	286
Baran Cezary	120	37.5	-	157.5
TOTAL	**222**	**221.5**	**-**	**443.5**

Remuneration paid to Emperia Holding S.A.'s Management Board members in 2016 for work at subsidiaries (cash basis):

First and last name	TOTAL
Kalinowski Dariusz	636.96
Baran Cezary	299.46
TOTAL	**936.42**

In addition, all members of Emperia Holding S.A.'s Management Board serve on the board of directors of EMP Investment Ltd;

Management Options Programme II 2010-2012

As group parent, Emperia Holding S.A. is participating in the 2nd Management Options Programme - 2010-2012.
On 4 March 2010, Emperia Holding S.A.'s extraordinary general meeting adopted a resolution on implementation of the 2nd Incentive Programme - 2010-2012 and introduced changes to the Programme at a meeting on 6 December 2011.
The programme will be performed over 2010-2012. The Programme is addressed to the Management Boards of the Company and subsidiaries as well as their key managers. The objective of the Programme was to create a long-term link between Emperia Group and high-quality specialists, to ensure proper growth and improved performance at the Group.

Key programme documents:

1. Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the Incentive Programme 2010-2012 Regulations and on the Incentive Programme;
2. Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 6 December 2011 concerning changes to Resolution No 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the Incentive Programme 2010-2012 Regulations and on the Incentive Programme;
3. Emperia Holding S.A.'s Management Options Regulations;
4. List of persons participating in the Programme, approved by Emperia Holding S.A.'s Supervisory Board.

Key programme assumptions:
Size of the programme: a maximum of 450 000 registered bonds with priority rights to ordinary bearer shares series P with nominal value of PLN 1.00 each.

The bonds will be issued in three tranches. Under each of the tranches, the following quantities of bonds may be purchased by authorised persons: (i) 150 000 bonds with rights to 150 000 shares under the 1st tranche, (ii) 150 000 bonds with rights to 150 000 shares under the 2nd tranche, (iii) 150 000 bonds with rights to 150 000 shares under the 3rd tranche,
The options programme will be implemented on the following dates: (i) 1st tranche - from 1 July 2014 to 30 June 2018, (ii) 2nd tranche - from 1 July 2015 to 30 June 2019, (iii) 3rd tranche - from 1 July 2016 to 30 June 2020.

The par value and issue price of one bond is PLN 0.01. The option's base instrument is the Company's shares listed on the WSE.

The issue price of the shares offered under the programme constitutes the equivalent of the average closing share price on the WSE for the 90 days preceding the date on which Resolution 2, point 2 concerning the 2010-2012 Incentive Programme, is adopted, less 5%.
The options granted under each tranche are divided into two parts:

– - Financial Part (constituting 75% of the tranche), granted if the Company's Financial Target is reached,
– - Market Part (constituting 25% of the tranche), granted if the Company's Market Target is reached.

Financial Target: consolidated diluted net earnings per share of PLN 5.62 in 2010, PLN 6.75 in 2011 and PLN 8.10 in 2012. If the Financial Target is achieved in 100%, then 100% of the options will be granted. If the Financial Target is met only in 80% or less, then no options will be awarded.
Market Target: total return on investment in Emperia shares not lower than WIG.
- authorised persons must be continually employed between the date on which they are entered onto the list of authorised persons and 31 December of 2010, 2011 and 2012, depending on the tranche;

Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 6 December 2011 concerning changes to Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the 2010-2012 Incentive Programme Regulations and on the Incentive Programme aims to: (i) provide a more precise definition of the Financial Target for the purposes of the Incentive Programme - the Financial Target will not include results on transactions consisting of the sale of shares, companies, organised business units and properties to entities outside Emperia Group; (ii) provide a more precise method for determining the share issue price on the options exercise

date in the event that the Company pays a dividend advance and/or dividend in the total amount exceeding 40% of the consolidated net profit for the previous year; (iii) specify the procedure for when an entity, acting individually or in concert, exceeds the 33% threshold in the total number of votes in the Company (acquisition of control).
The Company measured the programme at fair value on its inception, in accordance with IFRS 2. The measurements were prepared using modern financial engineering and numerical methods by an independent expert based on the Monte-Carlo valuation model.

The programme's fair value is amortised throughout its duration. The programme's fair value is presented in the statement of profit and loss as management options programme costs, alongside an increase in supplementary capital. The programme's fair value recognised in the Company's statement of profit and loss for 2011 was PLN 1 071 531 and for 2010: PLN 1 591 211.
The following were taken into consideration in measuring the 2011 tranche: an input price for the model (share price at the award date) of PLN 113 per share, instrument exercise price of PLN 79.82, expected change of 35%, risk-free interest rate of 5.5% and expected dividend: PLN 3.56 per share in 2012, PLN 4.56 per share in 2013, and assuming 15% dividend growth in subsequent years.
The following were taken into consideration in measuring the 2010 tranche: an input price for the model (share price at the award date) of PLN 75.50 per share, instrument exercise price of PLN 79.82, expected change of 39%, risk-free interest rate of 5.5% and expected dividend: PLN 0.92 per share in 2010, PLN 1.12 per share in 2011, PLN 1.35 per share in 2012 and PLN 1.60 per share in 2013, and assuming 15% dividend growth in subsequent years.

Execution of Management Options Programme II 2010-2012 - tranche for 2010

In 2014, in connection with the Management Options Programme II 2010-2012 - tranche for 2010, the Company issued 114 564 registered bonds series A with priority rights to the Issuer's series P shares. The per-bond issue price was PLN 0.01. The issue of Bonds was carried out by sending a proposal to purchase bonds by Millennium DM S.A., based in Warsaw, acting as trustee. The Trustee sold Bonds only to the Authorised Persons participating in the Incentive Programme. Each of the Bonds entitles the Bondholder to subscribe for one ordinary bearer share series P, with pre-emptive rights for the Company's shareholders. The issue price for Series P Shares, calculated as at the date of the Bond issue, was PLN 24.82, and PLN 24.40 from 1 July 2015. A change in the issue price may take place each year after the Company's pays out a dividend. The pre-emptive right to subscribe for and acquire Series P shares is available to Authorised Persons during the period from 1 July 2014 to 30 June 2018.
At 31 December 2016, all bonds were redeemed.

Execution of Management Options Programme II 2010-2012 - tranche for 2011

In 2015, in connection with the Management Options Programme II 2010-2012 - tranche for 2010, the Company issued 44 068 registered bonds series A with priority rights to the Issuer's series P shares. The per-bond issue price was PLN 0.01. The issue of Bonds was carried out by sending a proposal to purchase bonds by Millennium DM S.A., based in Warsaw, acting as trustee. The Trustee sold Bonds only to the Authorised Persons participating in the Incentive Programme. Each of the Bonds entitles the Bondholder to subscribe for one ordinary bearer share series P, with pre-emptive rights for the Company's shareholders. The issue price for Series P Shares, calculated as at the date of the Bond issue, is PLN 24.40. A change in the issue price may take place each year after the Company's pays out a dividend. The pre-emptive right to subscribe for and acquire Series P shares is available to Authorised Persons during the period from 1 July 2014 to 30 June 2018.
At 31 December 2016, all bonds were redeemed.

(amounts in PLN 000s, unless otherwise stated)

Remuneration of Emperia Holding S.A. Supervisory Board members in 2016:

First and last name	Salary
Kawa Artur	86.4
Kowalczewski Michał	43.2
Laskowski Artur	43.2
Wawerski Jarosław	43.2
Widera Aleksander	43.2
TOTAL	259.2

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

Management Board

Dariusz Kalinowski – President of the Management Board

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

Cezary Baran – Vice-President of the Management Board

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

The composition of the Management Board of Emperia Holding S.A. did not change in 2016.
On 3 June 2016, the Supervisory Board of Emperia Holding S.A. re-appointed existing members of the Issuer's Management Board - Dariusz Kalinowski and Cezary Baran - for a new term.

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

Composition of Emperia Holding S.A.'s Supervisory Board was not subject to changes in 2016.

On 30 June 2016, an Ordinary General Meeting of Emperia Holding S.A. re-appointed Artur Kawa as Chairman of the Supervisory Board and Michał Kowalczewski as Deputy Chairman of the Supervisory Board for a new term.

6.3.46 Information about outstanding advances, credit facilities, loans and guarantees issued to Supervisory Board and Management Board members

Emperia Holding S.A. does not have any receivables due to advances, credit facilities, loans or guarantees issued to the members of the Management Board or Supervisory Board, their spouses and relatives.

6.3.47 Financial instruments and assessment of the associated risks

1. Financial risk management

The Company's business is exposed to the following financial risks:

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

The Company's financial risk is managed by the Management Board of Emperia Holding S.A., which identifies and assesses threats and protects the Company 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 Company to incur financial losses. Credit risk concerns receivables, cash and cash equivalents, bank deposits, purchased bonds and collateral provided.
The Company's sales are on deferred-payment basis. However, the fragmentation of the customer base makes it so that exposure to singular credit risk is not high. The Company 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 Company consistently pursues recovery of overdue receivables and recognises impairment losses on an on-going basis.
The Company places its cash at reliable financial institutions (selected based on ratings). Bonds are short-term bonds issued by Group companies. Credit risk at the Company is limited in scope.

b) liquidity risk – risk that the Company will have difficulties in meeting its liabilities resulting from financial commitments. The Company ensures that liquidity is maintained at an appropriate, safe level. After budget preparations, the Company requests appropriate credit lines at the financial institutions with which it cooperates. As regards external financing, the Company 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 monitors the Company's financial situation and payment capacity on an on-going basis.
In 2016, the Company did not use external financing sources. Liquidity risk at the Company is limited in scope.

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 Company does not use any FX or foreign currency-denominated debt instruments. Currency risk concerns the Company 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 Company 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 2016, the Company did not use 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 Company does not use financial instruments that carry pricing risk.
The Company 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	**2016** fair value	**2016** book value	Classification of financial instruments as per IAS 39 (book value)						
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		at purchase price
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	426 286	426 286	-	-	-	-	-	-	426 286
Short-term loans	-	-	-	-	-	-	-	-	-
Long-term collateral	-	-	-	-	-	-	-	-	-
Trade receivables	2 685	2 685	-	-	-	-	-	2 685	-
Financial asset receivables other than the above	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	5 290	5 290	-	-	-	-	5 290	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-

Financial liabilities by balance sheet item	**2016** fair value	**2016** book value	Classification of financial instruments as per IAS 39 (book value)						
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity		Other (book value)	
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Long-term collateral and other liabilities	112	112	-	-	112	-	-	-	-
Trade payables	553	553	-	-	553	-	-	-	-
Financial liabilities other than the above	256	256	-	-	256	-	-	-	-

(amounts in PLN 000s, unless otherwise stated)

Classification of financial instruments as per IAS 39 and IAS 27

Financial assets by balance sheet item	2015 fair value	2015 book value	Classification of financial instruments as per IAS 39 (book value)						
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		at purchase price
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	426 109	426 109	-	-	-	-	-	-	426 109
Short-term loans	-	-	-	-	-	-	-	-	-
Long-term collateral	-	-	-	-	-	-	-	-	-
Trade receivables	2 576	2 576	-	-	-	-	-	2 576	-
Financial asset receivables other than the above	-	-	-	-	-	-	-	-	-
Debt instruments	11 138	11 138	-	-	-	-	-	11 138	-
Cash and cash equivalents	10 571	10 571	-	-	-	-	10 571	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-

Financial liabilities by balance sheet item	2015 fair value	2015 book value	Classification of financial instruments as per IAS 39 (book value)						
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity		Other (book value)	
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Long-term collateral and other liabilities	89	89	-	-	89	-	-	-	-
Trade payables	1 445	1 445	-	-	1 445	-	-	-	-
Financial liabilities other than the above	55 973	55 973	-	-	55 973	-	-	-	-

(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 impaired	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
2016	2 686	1 191	272	40	13	2	1 168
2015	2 576	1 230	109	43	16	1 178	-

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

Impairment of receivables due to credit losses

Impairment of receivables due to credit losses	31 Dec 2016	- including: trade receivables	31 Dec 2015
As at the beginning of period	**(2 351)**	**(1 029)**	**(2 761)**
Increases (resulting from acquisitions)	(57)	(57)	(86)
Reversal	109	96	110
Derecognised from statement of profit and loss	263	4	386
As at the end of period	**(2 036)**	**(986)**	**(2 351)**

Rules concerning recognition and reversal of impairment losses on receivables are presented in note 6.3.11.

(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
2016				
Credit facilities				
Loans	-	-	-	-
Finance leasing	-	-	-	-
Long-term collateral retained	112	-	-	112
Debt instruments	19 959	19 959	-	-
Trade payables	553	553	-	-
Other liabilities	256	256	-	-
2015				
Credit facilities	-	-	-	-
Loans	-	-	-	-
Finance leasing	-	-	-	-
Long-term collateral retained	89	-	-	89
Debt instruments	0	0	-	-
Trade payables	1 445	1 445	-	-
Other liabilities	55 973	55 973	-	-

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
2016	553	405	114	29	-	5	
2015	1 445	1 431	11	3	-	0	-

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	01.01.2015 – 31.12.2016	01.01.2015 – 31.12.2015
Cash and cash equivalents	180	255
Debt instruments	183	2 328
Loans granted	-	74
Trade receivables	33	33
Financial receivables other than mentioned above	-	-
	396	**2 690**

Interest costs	01.01.2015 – 31.12.2016	01.01.2015 – 31.12.2015
Short- and long-term credit facilities	-	-
Loans received	-	-
Finance leasing	-	-
Debt instruments	(70)	-
Trade payables	(460)	(1)
Financial liabilities other than the above	0)	(1)
	(530)	**(2)**

(amounts in PLN 000s, unless otherwise stated)

2. Capital risk management

The Company 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 Company 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 Company 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.

	31.12.2016	31.12.2015
Equity	467 459	449 406
Minus: intangible assets	(1 156)	(1 470)
Equity, less intangible assets	466 303	447 936
Balance sheet total	491 531	509 606
Equity ratio	**0.95**	**0.88**

	31.12.2016	31.12.2015
Operating profit	4 149	4 910
Plus: depreciation	1 672	1 741
EBITDA	5 821	6 651
Credit facilities, loans and other financing sources	-	-
Ratios: Credit facilities, loans and other financing sources / EBITDA	**-**	**-**

The Company was not subject to capital requirements in 2016 or 2015.

6.3.48 Failure to repay or breach of credit facility agreements and lack of restructuring activities

Did not occur at the Company.

6.3.49 Discontinued operations

Did not occur at the Company.

6.3.50 Correction of prior-period errors

Did not occur at the Company.
A change in the presentation of the opening balance is described in note 6.3.23.

6.3.51 Mergers, share purchases or disposals, capital increases

a) Change in Emperia Holding S.A.'s share capital structure

On 14 January 2016, the Issuer introduced to stock-market trading 4 773 ordinary bearer shares series P, with nominal value of PLN 1 each.
Introducing the series P shares to trading was part of Emperia Holding S.A.'s Management Options Programme. The Company announced via current reports the terms and deadlines for registering series P shares by the KDPW, as well as admission and introduction of series P shares to stock-market trading.
From 14 January 2016, the Issuer's share capital amounts to PLN 13 240 268 and is divided into 13 240 268 ordinary bearer shares, with nominal value of PLN 1 each. The total number of voting rights carried by all of the Issuer's outstanding shares is 13 240 268.
The above share capital increase was registered in court on 29 February 2016.

On 31 March 2016, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered a reduction in the share capital of Emperia Holding S.A. The capital reduction resulted from having cancelled 900 219 own shares bought back, which carried rights to 900 219 votes (6.799%) at the General Meeting and represented 6.799% of Emperia Holding S.A.'s share capital. Following the registration of changes, share capital amounted to PLN 12 340 049 and was divided into 12 340 049 ordinary bearer shares, which entitled to 12 340 049 votes at Emperia Holding S.A.'s General Meeting.

On 21 November 2016, the Issuer introduced to stock-market trading 1 978 ordinary bearer shares series P, with nominal value of PLN 1 each.
Introducing the series P shares to trading was part of Emperia Holding S.A.'s Management Options Programme. The Company announced via current reports the terms and deadlines for registering series P shares by the KDPW, as well as admission and introduction of series P shares to stock-market trading.
From 21 November 2016, the Issuer's share capital amounts to PLN 13 324 027 268 and is divided into 13 324 027 268 ordinary bearer shares, with nominal value of PLN 1 each. The total number of voting rights carried by all of the Issuer's outstanding shares is 13 324 027.

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

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

On 20 December 2016, an Extraordinary General Meeting of Eldorado sp. z o.o. passed a resolution on increase of the Company's share capital from 342 000 to PLN 350 400, i.e. by PLN 8 400, through the issue of 84 new shares with nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for PLN 75 600 in cash. Excess of the cash consideration over the nominal value of the shares was transferred to supplementary capital.

c) Share capital increase and purchase of shares in EKON Sp. z o.o.

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

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

On 25 November 2016, Emperia Holding S.A. sold 4 290 shares in subsidiary Ekon Sp. z o.o. to subsidiary Elpro Development S.A. for PLN 262 537. The purchase price was paid in cash (bank transfer). The shares being the subject of this transaction constitute a 100% stake in this subsidiary and entitle to 100% of votes at its general meeting. The transaction is related to a planned merger of property companies in 2017.

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

No such events took place at Emperia Holding S.A. after the balance sheet date.

6.3.52 Other significant information

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

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. during 2016 purchased, in block transactions, 300 334 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 367 991 shares in the Issuer, entitling to 367 991 (2.982%) votes at the Issuer's general meeting and constituting 2.982% of the Issuer's share capital.

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

On 31 March 2016, 900 291 own shares held by Emperia Holding S.A. were cancelled. Details on this subject are presented in point 7.2.9a.

On 22 December 2016, the Management Board of Emperia Holding S.A. announced that it intends to continue the "Emperia Holding S.A. share buy-back programme by Elpro Development S.A." until 30 June 2017.

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

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

c) Entity authorised to audit financial statements for 2016

On 3 June 2016, Emperia Holding S.A.'s Supervisory Board, acting pursuant to art. 14 sec. 2 letter "o" of the Company's articles of association, passed a resolution selecting UHY ECA Audyt Sp. z o.o. Sp. k., based in Kraków, ul. Moniuszki 50, as auditor for Emperia Holding S.A.'s 2016 separate and consolidated financial statements and review of Emperia Holding S.A.'s semi-annual separate and consolidated financial statements. UHY ECA Audyt Sp. z o.o. Sp. k. is an entity authorised to audit financial statements, no. 3115. The Company retained the above

statutory auditor to audit financial statements for 2010-2015.
On 3 January 2017, the Supervisory Board adopted a resolution on the change of statutory auditor for the Company for 2016 and the appointment of a statutory auditor for 2017 (details in note 51 point a).

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

An Ordinary General Meeting of Emperia Holding S.A. was held on 30 June 2016. 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, adoption of resolutions on appointment of Supervisory Board members, adoption of a resolution on Supervisory Board member remuneration, adoption of resolutions on amendment of resolutions regarding consent to purchase Emperia Holding S.A.'s shares by Subsidiaries for cancellation, consent for executing agreements to purchase shares from Subsidiaries and consent for a bond issue, as well as consent for a bond issue.

e) Execution of agreement for market-making services on WSE

On 26 July 2016, the Management Board of Emperia Holding S.A. executed an agreement with Trigon DM S.A. ("Market Maker") pursuant to which the Market Maker commits to serve as market maker for the Issuer on the Warsaw Stock Exchange in respect of the Issuer's shares and rights to shares listed on the WSE in accordance with binding legal regulations and provisions of the WSE's rules.

f) Notice on having exceeded 5% of total votes in Emperia Holding S.A.

On 22 August 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 increased its stake in Emperia Holding S.A. voting rights to over 5%. The increase in stake to over 5% took place following a purchase of the Company's shares on 12 August 2016. Directly prior to the change in stake, the fund held 601 073 shares, which constituted 4.87% of the Company's share capital and entitled to 601 073 votes at the Company's General Meeting, i.e. 4.87% of total voting rights.
Currently, the fund holds 632 417 shares, which constitutes 5.12% of the Company's share capital and entitled to 632 417 votes at the Company's General Meeting, i.e. 5.12% of total voting rights.

g) Decision to review strategic options for Emperia Group's further development

On 30 August 2016, the Management Board of Emperia Holding S.A. announced that it had made a decision to review strategic options for Emperia Group's further development. The Group's retail segment is achieving strong organic growth and is organisationally prepared to develop even faster. According to the Management Board, the market currently offers exceptional potential for substantial growth in the retail area through acquisitions.
The review will focus on various strategic options, including in particular: search for an investor for the Issuer or a public share issue, strategic partnership or change in the Group's structure. The review is intended to select the most beneficial means for delivering the Group's long-term growth strategy. The Management Board has not made any decisions yet with regard to selecting any specific strategic option. The Issuer will provide information on progress of the review in accordance with the existing laws.

h) Notice from ALTUS TFI S.A. on having increased its stake in Emperia Holding S.A.'s voting rights by 2%

On 2 November 2016, the Management Board of Emperia Holding S.A. announced that it had received notification from ALTUS TFI S.A. on having increased its stake in Emperia Holding S.A.'s voting rights by 2% from the last notification published by the Company. The increase of stake in the Company's voting rights resulted from the settlement, on 28 October 2016, of a regulated-market transaction to purchase 28 000 shares of the Company. Following the change in stake, investment funds managed by ALTUS TFI S.A. held 1 644 493 shares of the Company, which constituted 13.33% of the Company's share capital and entitled to 1 644 493 votes, which constituted 13.33% of the Company's total votes.

i) Buyback and redemption of series A and B bonds under the Incentive Programme

On 12 November 2015, Emperia Holding S.A.'s Management Board announced that it had received information from Millennium DM S.A. on the buyback of 1 384 series B bonds with pre-emptive rights to series P Shares. The buyback and redemption of the Bonds by the Company from the Authorised Persons was part of the Incentive Programme.
Given the above, the Company had completed settlement of the 2010-2012 Incentive Programme.

j) Dismissal of appeal for annulment of a ruling by the Arbitration Court at the Polish Chamber of Commerce in Warsaw in a case brought by Emperia Holding S.A. against Ernst & Young Audit Sp. z o.o.

On 9 November 2016, the District Court in Warsaw, 20th Commercial Division, rejected the appeal to cancel part of the Arbitration Court's ruling. In a verbal justification, the Court announced that, having analysed the Arbitration Court's ruling, it did not find any infringement or violation of the law.

k) Intra-group bond issuance

On 23 December 2016, Emperia Holding S.A. issued short-term bonds maturing on 27 January 2017, which were acquired by P3 Ekon Sp. z o.o. The total par value of the issued bonds was PLN 20 million.

6.3.53 Significant events after the end of the reporting period

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

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that in connection with an 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.

b) Intra-group bond issuance

On 27 January 2017, Emperia Holding S.A. issued short-term bonds maturing on 10 February 2017, which were acquired by P3 Ekon Sp. z o.o. The total par value of the issued bonds was PLN 20 million.

On 10 March 2017, Emperia Holding S.A. issued short-term bonds maturing on 14 April 2017, which were acquired by P3 Ekon Sp. z o.o. The total par value of the issued bonds was PLN 20 million.

c) Receipt of credit promise

On 28 February 2017, Emperia Holding S.A. received a credit promise from mBank S.A., Bank Pekao S.A., PKO Bank Polski S.A. and Bank BGŻ BNP Paribas S.A. concerning financing for Emperia Group entities. The lenders undertook to provide term credit facilities for a total amount of PLN 160 million (broken down as follows: ELPRO Development S.A. PLN 150 million, Stokrotka sp. z o.o. PLN 10 million) to be used to make a loan to Emperia Holding S.A. for purposes as defined in the loan agreement, to finance the payment of a tax liability with interest resulting from a decision issued by the relevant tax authority. The final repayment deadline for these credit facility is 66 months from the date on which the Financing Documents are signed, no later however than 30 September 2022. The credit will be activated by the end of April 2017.

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

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

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

Factual status:

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

Charges made by the Tax Control Office:

- According to the Head of the Tax Control Office in Lublin, the mandatory cancellation of shares 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 142.5m).

Company's position:

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

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

The Decision, issued by a first instance body, is not final and enforceable. On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.
The Management Board does not expect this tax issue to negatively impact Emperia Group's development plans.
On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.

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

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. purchased after the end of the reporting period, in block transactions, 45 050 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 413 041 shares in the Issuer, entitling to 413 041 (3.347%) votes at the Issuer's general meeting and constituting 3.347% of the Issuer's share capital.

Warsaw, 15 March 2017

Signatures of all Management Board members:

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

Signatures of persons responsible for book-keeping

Elżbieta Świniarska	Economic Director	.... Signature
Tomasz Koszczan	Head of Accounting	.... Signature