

# **Emperia Holding S.A.**

**Independent Registered Auditor's Report**

**Financial Statements**

**Report on Company's operations**

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

**For the year from 1 January to 31 December 2016**

## **Content:**

**Independent Registered Auditor's Report**

prepared by PricewaterhouseCoopers Sp. z o.o.

**Financial Statements**

prepared by Emperia Holding S.A.

**Report on Company's operations**

prepared by Management Board of Emperia Holding S.A.

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

prepared by PricewaterhouseCoopers Sp. z o.o.

## **Emperia Holding S.A.**

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



*Translation note:*

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

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

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

**This report contains 11 consecutively numbered pages and consists of:**

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**Emperia Holding S.A.**  
**Registered auditor's report on the audit of the financial statements**  
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**I. General information about the Company**

- a. Emperia Holding S.A. ("the Company") has its seat in Warsaw, Puławska 2B Street.
- b. The Company was formed on the basis of a Notarial Deed drawn up on 26 October 1994 at the Notary Public's Office of Jadwiga Pluta in Lublin and registered with Rep. A No. 366/94. On 9 August 2001, the Company was entered in the Register of Businesses maintained by the District Court in Lublin XI Business Department of the National Court Register, with the reference number KRS 0000034566. Currently the Company led by the District Court in Warsaw XIII Business Department of the National Court Register.
- c. The Company was assigned a tax identification number (NIP) 712-10-07-105 for the purpose of making tax settlements and a REGON number 430450457 for statistical purposes.
- d. As at 31 December 2016 the Company's share capital amounted to PLN 12,342,027.00 and consisted of 12,342,027 shares, with a nominal value of PLN 1.00 each. Total equity as at that date amounted to PLN 467,458,966.75.
- e. As at 31 December 2016, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Altus TFI	1,644,493	1,644,493.00	preference	12.12
Ipopema TFI	1,458,583	1,458,583.00	preference	13.73
AXA OFE	977,481	977,481.00	preference	8.16
Aviva OFE	834,991	834,991.00	preference	6.97
NN OFE	755,713	755,713.00	preference	6.31
MetLife OFE	632,417	632,417.00	preference	5.28
Elpro Development S.A.	367,991	367,991.00	ordinary	-
Other shareholders	5,670,358	5,670,358.00	ordinary	47.43
	<b>12,342,027</b>	<b>12,342,027.00</b>		<b>100.00</b>

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**I. General information about the Company (cont.)**

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

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Ipopema TFI	1,458,583	1,458,583.00	preference	11.89
Altus TFI	1,449,528	1,449,528.00	preference	11.82
AXA OFE	977,481	977,481.00	preference	7.97
Aviva OFE	834,991	834,991.00	preference	6.81
NN OFE	755,713	755,713.00	preference	6.16
Elpro Development S.A.	967,876	967,876.00	ordinary	-
Other shareholders	6,791,323	6,791,323.00	ordinary	55.35
	<b>13,235,495</b>	<b>13,235,495.00</b>		<b>100.00</b>

f. During the year the Company's operations comprised to provision of holding services.

g. During the year the Management Board of the Company comprised:

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

h. The Company has the following related entities:

Stokrotka Sp. z o.o.	- subsidiary
Elpro Ekon Sp. z o.o. S.K.A.	- subsidiary
P3 EKON Sp. z o.o. S.K.A.	- subsidiary
Ekon Sp. z o.o.	- subsidiary
Elpro Development S.A.	- subsidiary
Eldorado Sp. z o.o.	- subsidiary
P5 EKON Sp. z o.o. S.K.A.	- subsidiary
Infinite Sp. z o.o.	- subsidiary

and companies belonging to the Company's parent's group.

i. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2005.

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**I. General information about the Company (cont.)**

- j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 25 April 2017. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

**Emperia Holding S.A.**  
**Registered auditor's report on the audit of the financial statements**  
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**II. Information about the audit**

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

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

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

**Emperia Holding S.A.**  
**Registered auditor's report on the audit of the financial statements**  
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**III. The Company's results, financial position and significant items of financial statements**

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

	31.12.2016	31.12.2015*	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	31.12.2016 (%)	31.12.2015* (%)
<b>ASSETS</b>						
Non-current assets	483,182	483,859	(677)	(0.1)	98.3	94.9
Current assets	8,349	25,747	(17,398)	(67.6)	1.7	5.1
<b>Total assets</b>	<b>491,531</b>	<b>509,606</b>	<b>(18,075)</b>	<b>(3.5)</b>	<b>100.0</b>	<b>100.0</b>
<b>LIABILITIES AND EQUITY</b>						
Equity	467,459	449,406	18,053	4.0	95.1	88.2
Long-term liabilities	816	763	53	6.9	0.2	0.1
Short-term liabilities	23,256	59,437	(36,181)	(60.9)	4.7	11.7
<b>Total liabilities and equity</b>	<b>491,531</b>	<b>509,606</b>	<b>(18,075)</b>	<b>(3.5)</b>	<b>100.0</b>	<b>100.0</b>

\* restated data

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

	2016	2015	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
Revenue	15,952	15,539	413	2.7	100.0	100.0
Cost of sales	(7,155)	(7,510)	355	(4.7)	(44.9)	(48.3)
<b>Profit on sales</b>	<b>8,797</b>	<b>8,029</b>	<b>768</b>	<b>9.6</b>	<b>55.1</b>	<b>51.7</b>
<b>Net profit for the year</b>	<b>18,014</b>	<b>25,444</b>	<b>(7,430)</b>	<b>(29.2)</b>	<b>112.9</b>	<b>163.7</b>

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

	2016	2015	Change		Structure	
	PLN '000	PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
<b>Net profit for the year</b>	<b>18,014</b>	<b>25,444</b>	<b>(7,430)</b>	<b>(29.2)</b>	<b>112.9</b>	<b>163.7</b>
Other net comprehensive income	(9)	(2)	(7)	350.0	—	—
<b>Total comprehensive income for the year</b>	<b>18,005</b>	<b>25,442</b>	<b>(7,437)</b>	<b>(29.2)</b>	<b>112.9</b>	<b>163.7</b>

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**III. The Company's results, financial position and significant items of financial statements (cont.)**

**Selected ratios characterising the Company's financial position and results**

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

	<b>2016</b>	<b>2015</b>
Asset ratios		
- receivables turnover	67 days	52 days
Profitability ratios		
- net profit margin	113%	164%
- gross margin	25%	29%
- return on capital employed	4%	5%
Liability ratios		
- gearing	5%	12%
- payables turnover	41 days	35 days
	<b>31.12.2016</b>	<b>31.12.2015</b>
Liquidity ratios		
- current ratio	0.4	0.4
- quick ratio	0.4	0.4

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

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

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

### **III. The Company's results, financial position and significant items of financial statements (cont.)**

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

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

- At the end of the financial year, the Company's total assets amounted to PLN 491,531 thousand. During the year total assets decreased by PLN 18,075 thousand, i.e. by 3.5%. The decrease in total assets is mainly due a decrease in short-term liabilities of PLN 56,547 thousand, with a simultaneous increase in loans, borrowings, debt securities and other financial short-term liabilities of PLN 19,959 thousand and net profit generated of PLN 18,014 thousand.
- Liability ratios and the structure of liabilities have changed. The gearing ratio decreased from 12% at the end of the previous year to 5% at the end of the current year. The payables turnover ratio increased from 35 days to 41 days, respectively.
- The Company's core activities in the current financial year consisted of provision of holding services. Revenue amounted to PLN 15,952 thousand, which constituted a PLN 413 thousand, i.e. by 2.7% increase compared with the previous year.
- The cost of external services was the largest item of operating expenses and amounted to PLN 3,826 thousand in the audited year, which constituted 31.8% of operating expenses. The cost of external services has increased by PLN 616 thousand, i.e. by 19.2% compared with the previous year.
- In 2016 financial income amounted to PLN 15,391 thousand and comprised mainly income from received dividends of PLN 14,674 thousand. The PLN 7,131 thousand, i.e. by 31.7% decrease in financial income compared to previous financial year was mainly due to a decrease in income from received dividends of PLN 4,326 thousand and a decrease in interest income of PLN 2,294 thousand.
- In 2016 financial costs amounted to PLN 671 thousand and comprised mainly interest expense of PLN 530 thousand. An increase of financial costs by PLN 281 thousand, i.e. by 71.9% compared to previous financial year was mainly due to an increase in interest expense of PLN 528 thousand and loss on disposal of investments of PLN 140 thousand, with a simultaneous decrease in other financial income of PLN 387 thousand.
- Profitability measured with net profit amounted to 113% and was 51 percentage points lower than in the previous year.

**III. The Company's results, financial position and significant items of financial statements (cont.)**

- The Company's liquidity has not changed. In the audited year, the current and quick ratios, which amounted to 0.4 and amount has not changed compared to the end of the previous year.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

#### **IV. The independent registered auditor's statement**

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Company for the year from 1 January to 31 December 2015 were approved by Resolution No. 3 passed by the General Shareholders' Meeting on 30 June 2016 and filed with the National Court Register in Warsaw on 6 July 2016.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
  - the accuracy of the documentation relating to business transactions;
  - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
  - the methods used for controlling access to data and the computerised data processing system;
  - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- f. The information in the Report on Company's operations for the year ended 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2016, item 1047 as amended) and is consistent with that presented in the financial statements.

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

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**V. Final information**

This report has been prepared in connection with our audit of the financial statements of Emperia Holding S.A., Puławska 2B street, Warsaw. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 15 March 2017.

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

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

Łukasz Kazimierski

Key Registered Auditor  
No. 12879

Warsaw, 25 April 2017



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