SEPARATE FINANCIAL STATEMENTS

FOR 2017

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 For the period from 1 Jan 2017 to 31 Dec 2017	PLN For the period from 1 Jan 2016 to 31 Dec 2016	EUR For the period from 1 Jan 2017 to 31 Dec 2017	EUR For the period from 1 Jan 2016 to 31 Dec 2016
I.	Net revenue from sale of products, goods and materials	13 995	15 952	3 297	3 657
II.	Operating profit (loss)	(4 989)	4 149	(1 175)	951
III.	Profit before tax	(1 865)	18 869	(439)	4 325
IV.	Profit for the period	(2 078)	18 014	(490)	4 129
V.	Net cash flows from operating activities	(4 572)	4 700	(1 077)	1 077
VI.	Net cash flows from investing activities	7 215	26 158	1 700	5 996
VII.	Net cash flows from financing activities	37 529	(36 139)	8 841	(8 284)
VIII.	Total net cash flows	40 172	(5 281)	9 464	(1 211)
IX.	Total assets	528 869	491 531	126 800	111 106
X.	Liabilities and liability provisions	63 478	24 072	15 219	5 441
XI.	Non-current liabilities	1 013	816	243	184
XII.	Current liabilities	62 465	23 256	14 976	5 257
XIII.	Equity	465 391	467 459	111 580	105 664
XIV.	Share capital	12 342	12 342	2 959	2 790
XV.	Number of shares	12 342 027	12 342 027	12 342 027	12 342 027
XVI.	Weighted average number of shares	12 086 113	12 086 113	12 086 113	12 086 113
XVII.	Profit (loss) per ordinary share* (in PLN/EUR)	(0.17)	1.49	(0.04)	0.34
XVIII.	Diluted profit (loss) per ordinary share** (in PLN/EUR)	(0.17)	1.49	(0.04)	0.34
XIX.	Book value per share* (in PLN/EUR)	39.00	38.68	9.35	8.74
XX.	Diluted book value per share (in PLN/EUR)**	39.00	38.68	9.35	8.74
XXI.	Declared or paid out dividend per share (in PLN/EUR)	-	-	-	-

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

Weighted average number of shares:
- for 2017: 11 933 984
- for 2016: 12 086 113

Selected financial data are translated into EUR in the following manner:

1. Items in the statement of profit and loss and statement of cash flows are translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for 2017 was EURPLN 4.2447 and for 2016: EURPLN 4.3625.

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

(amounts in PLN 000s, unless otherwise stated)

2. Statement of financial position

	Note	31 Dec 2017	31 Dec 2016
Total non-current assets		**480 547**	**483 182**
Property, plant and equipment	Note 6.3 and 6.3.2	64	662
Investment properties	Note 6.3.3 and 6.3.4	53 053	54 916
Intangible assets	Note 6.3.5 and 6.3.6	840	1 156
Financial assets	Note 6.3.7 and 6.3.8	426 286	426 286
Deferred income tax assets	Note 6.3.9	153	159
Other non-current prepayments	Note 6.3.10	151	3
Total current assets		**48 322**	**8 349**
Current receivables	Note 6.3.11	1 582	2 953
Income tax receivables	-	457	-
Short-term securities	-	-	-
Current prepayments	Note 6.3.12	821	106
Cash and cash equivalents	Note 6.3.13	45 462	5 290
Total assets		**528 869**	**491 531**
Total equity		**465 391**	**467 459**
Share capital	Note 6.3.14	12 342	12 342
Share premium	-	411 670	411 670
Supplementary capital	-	-	-
Management options provision	-	-	-
Reserve capital	-	43 447	25 442
Buy-back provision	-	-	-
Own shares	-	-	-
Retained earnings	Note 6.3.15	(2 068)	18 005
	-		
Total non-current liabilities		**1 013**	**816**
Non-current liabilities	Note 6.3.16	110	112
Provisions	Note 6.3.17	39	49
Deferred income tax provision	Note 6.3.18	864	655
Total current liabilities		**62 465**	**23 256**
Credit facilities, loans, debt instruments and other current financial liabilities	Note 6.3.19	58 619	19 959
Current liabilities	Note 6.3.20	3 555	1 356
Income tax liabilities	-	-	63
Provisions	Note 6.3.17	276	611
Deferred revenue	Note 6.3.21	15	1 267
Total equity and liabilities		**528 869**	**491 531**

(amounts in PLN 000s, unless otherwise stated)

Book value	465 391	467 459
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 933 984	12 086 113
Diluted number of shares	11 933 984	12 086 113
Book value per share	37.71	37.88
Book value per share (in PLN)*	39.00	38.68
Diluted book value per share (in PLN)**	39.00	38.68

* 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 2017	12 months ended 31 Dec 2016
Revenue from sales		**13 995**	**15 952**
- from subsidiaries		*8 143*	*10 246*
Revenue from sale of services	Note 6.3.22	13 922	15 910
Revenue from sale of goods and materials	Note 6.3.23	73	42
Cost of sales		**(6 193)**	**(7 155)**
- to subsidiaries		*(4 795)*	*(5 897)*
Cost of manufacture of services sold	Note 6.3.25	(6 193)	(7 155)
Value of goods and materials sold		-	-
Profit on sales		**7 802**	**8 797**
Other operating revenue	Note 6.3.24	1 092	254
Selling costs	Note 6.3.25	-	-
Administrative expenses	Note 6.3.25	(13 617)	(4 873)
Other operating expenses	Note 0	(266)	(29)
Operating profit (loss)		**(4 989)**	**4 149**
Finance income	Note 6.3.27	6 765	15 391
Finance costs	Note 6.3.28	(3 641)	(671)
Profit (loss) before tax		**(1 865)**	**18 869**
Income tax		(213)	(855)
- current	Note 6.3.29	(0)	(897)
- deferred	Note 6.3.30	(213)	42
Profit / (loss) for the period		**(2 078)**	**18 014**

Profit / (loss) for the period	**(2 078)**	**18 014**
Number of shares	12 342 027	12 342 027
Weighted average number of shares	11 933 984	12 086 113
Weighted average diluted number of ordinary shares	11 933 984	12 086 113
Profit (loss) per ordinary share	(0.17)	1.46
Profit (loss) per ordinary share (in PLN)*	(0.17)	1.49
Diluted profit (loss) per ordinary share (in PLN)**	(0.17)	1.49

* 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 2017	12 months ended 31 Dec 2016
Profit / (loss) for the period	**(2 078)**	**18 014**
Other comprehensive income (not subject to reclassification to results):	10	(9)
- Revaluation of employee benefit liabilities	12	(11)
- Income tax on components of other comprehensive income	(2)	2
Comprehensive income for the period	**(2 068)**	**18 005**

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 2017	**12 342**	**411 670**	**-**	**-**	**25 442**	**18 005**	**-**	**467 459**
Change in accounting standards and policies	-	-	-	-	-	-	-	-
As at the beginning of period, adjusted	**12 342**	**411 670**	**-**	**-**	**25 442**	**18 005**	**-**	**467 459**
Profit / (loss) for the period	-	-	-	-	-	(2 078)	-	(2 078)
Other net comprehensive income	-	-	-	-	-	9	-	9
Prior-year profit distribution - transfer to equity	-	-	-	-	18 005	(18 005)	-	-
Share issuance - incentive scheme	-	-	-	-	-	-	-	-
Management options provision	-	-	-	-	-	-	-	-
Reclassification of capital after settlement of all incentive schemes	-	-	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-
As at the end of period: 31 December 2017	**12 342**	**411 670**	**-**	**-**	**43 447**	**(2 068)**	**-**	**465 391**

	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**

Warsaw, 15 March 2017

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(amounts in PLN 000s, unless otherwise stated)

5. Statement of cash flows

Operating activities	Note	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit / (loss) for the period		**(2 078)**	**18 014**
Adjusted by:		**(2 494)**	**(13 314)**
Depreciation / amortisation		1 848	1 672
Interest and shares of profit (dividends)		(5 253)	(14 824)
Income tax		213	855
Profit (loss) on investing activities		79	(160)
Change in provisions		(334)	291
Change in receivables	Note 6.3.34	1 371	(75)
Change in prepayments		(2 115)	38
Change in liabilities	Note 6.3.34	2 217	(336)
Income tax paid		(520)	(775)
Net cash from operating activities		**(4 572)**	**4 700**

Investing activities	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows	**7 423**	**109 560**
Disposal of property, plant and equipment and intangible assets	1 038	1 306
Disposal of financial assets	-	93 317
Disposal of interests in subsidiaries	-	263
Dividends received	6 385	14 674
Interest received	-	-
Repayment of loans issued	-	-
Outflows	**(208)**	**(83 402)**
Purchase of property, plant and equipment and intangible assets	(208)	(1 004)
Purchase of subsidiaries and associates	-	(580)
Purchase of financial assets	-	(81 818)
Borrowings granted	-	-
Net cash from investing activities	**7 215**	**26 158**

(amounts in PLN 000s, unless otherwise stated)

Financing activities		12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Inflows		**233 539**	**39 937**
Issue of short-term debt instruments		233 539	39 889
Proceeds from equity issuance		-	48
Outflows		**(196 010)**	**(76 076)**
Buy-back of short-term debt instruments		(196 000)	(20 000)
Interest paid		(10)	(460)
Dividends paid		-	-
Purchase of own shares		-	(55 616)
Net cash from financing activities		**37 529**	**(36 139)**
Change in cash and cash equivalents	**Note**	**40 172**	**(5 281)**
Exchange differences		**-**	
Cash and cash equivalents at the beginning of period	Note 6.3.33	**5 290**	**10 571**
Cash and cash equivalents at the end of period	Note 6.3.33	**45 462**	**5 290**

Warsaw, 15 March 2017

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Elżbieta Świniarska	Economic Director	.... Signature
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.

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 2017 to 31 December 2017, and the comparative financial data covers the period from 1 January 2016 to 31 December 2016.

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

During 2017, Emperia Group's structure was subject to changes (compared with the 2016 year-end). A merger of Elpro Development S.A. (the acquiring company) with the following companies took place on 3 April 2017: Elpro Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P3 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A., P5 Ekon Spółka z ograniczoną odpowiedzialnością S.K.A. and Ekon Spółka z ograniczoną odpowiedzialnością (the acquired companies). On 5 September 2017, subsidiaries Eldorado Sp. z o.o. and Infinite Sp. z o.o. formed a subsidiary, Infinite IT Solutions SRL, in Romania.

(amounts in PLN 000s, unless otherwise stated)

Entity name	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date/date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
Stokrotka Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
Infinite Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
Elpro Development S.A.	02-566 Warsaw, ul. Puławska 2B	Renting and operating of own or leased real estate	KRS no. 509157, District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
Eldorado Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	400637, District Court for Lublin-Wschód based in Świdnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	03-10-2011	100.00%	100.00%
Infinite IT Solutions SRL (1)	SOS. BUCARESTI - PLOIESTI NR. 9-13, ZONA I, ET. 5, SECTOR 1 , 13693 BUCHAREST ROMANIA	IT operations	Court Trade Register Office in Bucharest, register no. J40/153324/05.09.2017.	Subsidiary	Full	05-09-2017	100.00%	100.00%

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

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

(1) indirectly through Elpro Development S.A.

6.2. Description of key accounting principles

6.2.1. Basis for preparing 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:
- that engages 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 2017:

	Retail	Property	Central management	Total
Segment revenue	3 023	10 065	907	13 995
External revenue	3 023	2 823	6	5 852
Inter-segment revenue	-	7 242	901	8 143
Total segment costs	(605)	(5 348)	(13 858)	(19 811)
Loss on sales	2 418	4 717	(12 952)	(5 816)
Result on other operating activities	-	710	117	827
Result on financing activities	-	(73)	3 198	3 124
Gross result	2 418	5 354	(9 637)	(1 865)
Tax	(459)	(1 053)	1 299	(213)
Share of the profit of equity-accounted entities	-	-	-	-
Net segment result	**1 959**	**4 301**	**(8 338)**	**(2 078)**

	Retail	Property	Central management	Total
Segment assets / liabilities	-	52 883	475 986	528 869
Goodwill	-	-	-	-

	Retail	Property	Central management	Total
Capital expenditures	-	(208)	-	(208)
Depreciation / amortisation	-	(1 498)	(350)	(1 848)

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)

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 2017:

a) Amendments to IAS 7: Disclosure Initiative

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

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

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

c) Annual improvements to IFRSs 2014-2016

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

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

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

a) IFRS 9 Financial Instruments

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

The standard introduces a single model with only two classifications of financial assets: measured at fair value and measured at amortised cost. Classification is performed on initial recognition and depends on the entity's model for managing financial instruments and the characteristics of these instruments' contractual cash flows.
IFRS 9 introduces a new model for determining impairment losses - expected credit loss model.
Most of the requirements in IAS 39 as regards the classification and measurement of financial liabilities was transferred to IFRS 9 unchanged. The key change is a requirement imposed on entities to present in other comprehensive income the effects of changes in own credit risk related to financial liabilities measured at fair value through profit or loss.
As regards hedge accounting, the changes were intended to more closely align hedge accounting with risk management.

The Company applies IFRS 9 since 1 January 2018.
At the date on which these financial statements were prepared, the Company was in the process of calculating the impact of IFRS 9 on its financial statements .

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

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

The Company will apply the above changes since 1 January 2019.

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

c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers applies to annual periods beginning on or after 1 January 2014.

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

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

d) Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

e) IFRS 16 Leases

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

The new standard establishes rules for recognition, measurement, presentation and disclosures relating to leases. All leasing transactions result in the lessee obtaining a right to use the asset and an obligation to make payment. Thus, IFRS 16 removes the classification as operating lease and financial lease under IAS 17 and introduces a single model for lessees to recognise leases. The lessee will be required to recognise: (a) assets and liabilities for all lease transactions executed for a period of time longer than 12 months, except for situations where a given asset is of low value; and (b) depreciation of the leased asset separate from interest on the lease liability in the statement of profit and loss.
IFRS 16 largely repeats the regulations from IAS 17 regarding lessor accounting. As a consequence, the lessor continues to classify leases as operating and financial and applies different accounting.

The Company will apply IFRS 16 from 1 January 2019.

f) IFRS 17 Insurance Contracts

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

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

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

The amendment to IFRS 2 applies to annual periods beginning on or after 1 January 2018. The amendment introduces guidelines for fair value measurements of liabilities related to share-based transactions settled in cash, guidelines related to a change in classification of share-based transactions settled in cash to share-based transactions settled in equity instruments, as well as guidelines for recognition of employee tax obligations on account on share-based transactions.

The Company will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Company was in the process of calculating the impact of IFRS 2 on its financial statements.

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

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

The amendments to IFRS 4 Insurance Contracts address the issue of applying the new standard IFRS 9 Financial Instruments. The published amendments to IFRS 4 supplement the existing options listed in standards and are intended to prevent temporary swings in the results of entities in the insurance sector in connection with the introduction of IFRS 9.

The Company will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Company was in the process of calculating the impact of IFRS 4 on its financial statements.

i) Annual improvements to IFRSs 2014-2016

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

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

j) Amendments to IAS 40: Transfers of Investment Property

Amendments to IAS 40 clarify requirements for transferring to and from investment property. The amendment applies to annual periods beginning on or after 1 January 2018.

The Company will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Company was in the process of calculating the impact of IAS 40 on its financial statements.

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

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

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

The Company will apply the above changes since 1 January 2019.

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

l) IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting rules for transactions where one entity receives or provides an advance consideration in a foreign currency. The guidelines apply to annual periods beginning on or after 1 January 2018.

The Company will apply the above changes from 1 January 2018.
At the date on which these financial statements were prepared, the Company was in the process of calculating the impact of IFRIC 22 on its financial statements.

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

m) IFRIC 23: Uncertainty over Income Tax Treatments

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

The Company will apply the above changes since 1 January 2019.

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

n) Annual improvements to IFRSs 2015-2017

In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, which amend 4 standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The improvements contain clarifications and explanations for guidelines to standards as regards recognition and measurement.

The Company will apply the above changes since 1 January 2019.

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

o) IAS 19 Employee Benefits

The amendment to IAS 19 applies to annual periods beginning on or after 1 January 2019. Amendments to the standard specify requirements related to the accounting for modification, reduction or settlement of a defined benefit programme.

The Company will apply the above changes since 1 January 2019.

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

p) IFRS 14 Regulatory Deferral Accounts

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

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

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

These amendments resolve the issue of current inconsistencies between IFRS 10 and IAS 28. Recognition depends on whether the non-cash assets being sold or contributed to an associate or joint venture constitute a "business."
If such non-cash assets constitute a "business," the investor recognises full profit or loss on the transaction. If such assets do not meet the definition of business, the investor recognises profit or loss excluding the part that constitutes interests of other investors.
The amendments were published on 11 September 2014. The effective date of the amendment regulations has not been set by the IASB.

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

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 6.3.17.
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.

Testing interests in subsidiaries for impairment

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 Company'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 6.3.18.

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 6.3.17.

6.2.8. 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 tangible assets, 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.

6.2.9. 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.

6.2.10. 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.

6.2.11. 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.

6.2.12. 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.

6.2.13. 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 from the consolidated financial statements of the parent, which prepares consolidated financial statements). The merging entities were also covered by joint controlled prior to the transaction and their merger does not give rise to changes in their net assets or goodwill.

6.2.14. 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.

6.2.15. 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 offset and recognised as either other expense or other revenue.
Receivables with a payment term of up to 12 months and receivables concerning collateral are recognised in the amount due.
In consideration of the prudence principle, interest on late payment of receivables is recognised when the Company receives the funds.
All advance payments such as those concerning future goods and services, production in process, payment for shares, purchase of intangible assets and others are recognised as other receivables.

6.2.16. 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.

6.2.17. 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.

6.2.18. 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.

6.2.19. 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.

6.2.20. 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.

6.2.21. 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.

6.2.22. 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.

6.2.23. Employee benefits

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).

6.2.24. 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.

6.2.25. 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.

6.2.26. 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.

6.2.27. 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)

6.3. Additional explanatory notes

6.3.1. Property, plant and equipment

	31 Dec 2017	31 Dec 2016
Technical equipment and machinery	30	79
Means of transport	34	582
Other PP&E	0	1
Net property, plant and equipment	**64**	**662**

6.3.2. Change in property, plant and equipment

2017	- 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	**208**	**839**	**14**	**1 061**
b) increases (due to)	**22**	**49**	**1**	**72**
- purchase	*22*	*49*	*-*	*71*
- reclassification	*-*	*-*	*1*	*1*
c) decreases (due to)	**(85)**	**(777)**	**(1)**	**(863)**
- sale	(84)	*(777)*	*(1)*	*(862)*
- reclassification	*(1)*	*-*	*-*	*(1)*
d) gross value of property, plant and equipment, as at the end of period	**145**	**111**	**14**	**270**
e) amortisation as at the beginning of period	**129**	**257**	**13**	**399**
f) increase of depreciation (due to)	**18**	**85**	**2**	**105**
- depreciation	*18*	*85*	*2*	*105*
g) decrease of depreciation (due to)	**(32)**	**(265)**	**(1)**	**(298)**
- sale	*(32)*	*(265)*	*(1)*	*(298)*
h) depreciation as at the end of period	**115**	**77**	**14**	**206**
k) net value of property, plant and equipment, as at the end of period	**30**	**34**	**0**	**64**

(amounts in PLN 000s, unless otherwise stated)

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**

In the course of its operations, the Company leases and rents office equipment for its own purposes.
Leasing costs in 2016:

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

Leasing costs in 2017:

- Buildings and facilities PLN 90 400.36
- Office equipment PLN 5 462.96

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 2017 as administrative expenses and cost of services sold.

Emperia Holding S.A. is party to a credit agreement that includes collateral on the properties of its subsidiaries.

As at 31 December 2017, there were no contractual liabilities incurred in connection with the purchase of property, plant and equipment.

(amounts in PLN 000s, unless otherwise stated)

6.3.3. Investment properties

	31 Dec 2017	31 Dec 2016
Land, including:	10 527	11 083
Perpetual usufruct rights	*801*	*868*
Buildings and structures	42 318	43 688
- including: investments in third-party tangible assets	-	-
Technical equipment and machinery	93	135
Other PP&E	4	10
PP&E under construction	111	-
Net investment properties	**53 053**	**54 916**

PP&E under construction	31 Dec 2017	31 Dec 2016
Buildings and structures	111	-
Total property, plant and equipment under construction	**111**	**-**

Property, plant and equipment used pursuant to lease and rental agreements (off-balance sheet), operating leasing	31 Dec 2017	31 Dec 2016
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

2017	- 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**	**46 958**	**380**	**16**	**0**	**58 511**
b) increases (due to)	**-**	**4**	**5**	**-**	**111**	**120**
- purchase	*-*	*-*	*5*		*111*	*116*
- reclassification	*-*	*4*	*-*		*-*	*4*
c) decreases (due to)	**(543)**	**-**	**-**	**(5)**	**-**	**(548)**
- sale	*(543)*	*-*	*-*	*-*	*-*	*(543)*
- reclassification	*-*	*-*	*-*	*(5)*	*-*	*(5)*
d) gross value of investment properties at the end of period	**10 613**	**46 963**	**385**	**11**	**111**	**58 083**
e) amortisation as at the beginning of period	**73**	**3 270**	**245**	**6**	**-**	**3 594**
f) increase of depreciation (due to)	**18**	**1 375**	**47**	**1**	**-**	**1 441**
- depreciation	*18*	*1 375*	*47*	*1*	*-*	*1 441*
g) decrease of depreciation (due to)	*(5)*	*-*	*-*	*-*	*-*	*(5)*
- sale	*(5)*	*-*	*-*	*-*	*-*	*(5)*
h) depreciation as at the end of period	**86**	**4 645**	**292**	**7**	**-**	**5 030**
k) net value of investment properties at the end of period	**10 527**	**42 318**	**93**	**4**	**111**	**53 053**

(amounts in PLN 000s, unless otherwise stated)

2016	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil engineering structures	- Technical equipment and machinery	- Other PP&E	- 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)

6.3.5. Intangible assets

	31 Dec 2017	31 Dec 2016
Acquired concessions, patents, licences and similar	840	1 156
Intangible assets in progress	-	-
Total intangible assets	**840**	**1 156**

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 2017 as administrative expenses.

As at 31 December 2017, there were no contractual liabilities incurred in connection with the purchase of intangible assets.

6.3.6. Changes in intangible assets

2017	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	**8 472**	**-**	**8 472**
b) increases (due to)	2	**-**	2
- purchase	2	-	2
- transfer from investment	-	-	-
c) decreases (due to)	**(149)**	**-**	**(149)**
- transfer to intangible assets	-	-	-
- sale	(38)	-	(38)
- other	(111)	-	(111)
d) gross values of intangible assets as at the end of period	**8 325**	**-**	**8 325**
e) amortisation as at the beginning of period	**7 316**	**-**	**7 316**
f) increase of depreciation (due to)	**304**	**-**	**304**
- depreciation	304	-	304
g) decrease of depreciation (due to)	**(135)**	**-**	**(135)**
- sale	(24)	**-**	(24)
- other	(111)	-	(111)
h) depreciation as at the end of period	**7 485**	**-**	**7 485**
k) net value of intangible assets as at the end of period	**840**	**-**	**840**

(amounts in PLN 000s, unless otherwise stated)

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**
i) net value of intangible assets as at the end of period	**1 156**	**-**	**1 156**

6.3.7. Financial assets

	31 Dec 2017	31 Dec 2016
Equity interests	204 614	204 614
- 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*	*345*
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**	**426 286**

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.

(amounts in PLN 000s, unless otherwise stated)

6.3.8. Non-current financial assets - related parties

2017	Equity interests	Other equity interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**204 614**	**221 672**	**426 286**
b) increases (due to)	**-**	**-**	**-**
- capital increase	*-*	*-*	*-*
c) decreases (due to)	**-**	**-**	**-**
- sale	*-*	*-*	*-*
d) financial assets as at the end of period	**204 614**	**221 672**	**426 286**

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**

6.3.9. Deferred income tax assets

	31 Dec 2017	31 Dec 2016
Deferred income tax assets at the beginning of period, including:	**159**	**102**
a) recognised through profit or loss	*156*	*101*
b) recognised through equity	*3*	*1*
Increases	**77**	**57**
a) recognised through profit or loss	*77*	*55*
b) recognised through equity	*-*	*2*
Decreases	**(83)**	**-**
a) recognised through profit or loss	*(81)*	*-*
b) recognised through equity	*(2)*	*-*
Deferred income tax assets at the end of period, including:	**153**	**159**
a) recognised through profit or loss	*152*	*156*
b) recognised through equity	*1*	*3*

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

(amounts in PLN 000s, unless otherwise stated)

Deferred income tax assets, the basis of which are temporary differences resulting from:	31 Dec 2017	31 Dec 2016
Trade receivables	26	12
Remuneration and social security liabilities	51	19
Pension provision	7	6
Provision for untaken holidays and similar	21	26
Provision for pay bonuses and similar	17	71
Deduction of discount on own bonds	15	3
Audit provision	13	19
Other	3	3
Deferred income tax assets at the end of period	**153**	**159**

	31 Dec 2017	31 Dec 2016
Deferred income tax assets:	**153**	**159**
- to be realised within 12 months	145	155
- to be realised after 12 months	8	4

6.3.10. Other non-current prepayments

	31 Dec 2017	31 Dec 2016
Subscriptions and annual fees	-	3
Cost of bank guarantees	151	-
Total other non-current prepayments	**151**	**3**

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

6.3.11. Current receivables

	31 Dec 2017	31 Dec 2016
For products and services	2 385	3 672
- including: from related parties	*240*	*371*
For taxes and other state fees	140	201
Under judicial enforcement	85	64
Advances paid for supplies	-	-
Other receivables	1 001	1 052
- including: from related parties	*14*	*14*
Impairment of receivables	(2 029)	(2 036)
Total net receivables	**1 582**	**2 953**

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 2017, the total value of acquired receivables was PLN 943 000 and was covered by an impairment loss.

(amounts in PLN 000s, unless otherwise stated)

Impairment of receivables	31 Dec 2017	31 Dec 2016
Impairment of receivables as at the beginning of period	**(2 036)**	**(2 352)**
Increases (recognition of new impairment losses)	***(163)***	**(57)**
- for products and services	*(163)*	*(57)*
- including due to assignment of rights	-	-
Decreases	**170**	**373**
- for products and services	*64*	*100*
- including due to assignment of rights	*106*	*273*
Reversal	**110**	**110**
- for products and services	*64*	*97*
- including due to assignment of rights	*46*	*13*
Derecognised from the statement of profit and loss	**60**	**263**
- for products and services	-	*3*
- including due to assignment of rights	*60*	*260*
Impairment of receivables as at the end of period	**(2 029)**	**(2 036)**
- for products and services	*(1 086)*	*(986)*
- including due to assignment of rights	*(943)*	*(1 050)*

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 2017	31 Dec 2016
up to 1 month	965	1 191
1 - 3 months	2	0
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
Overdue	1 418	2 481
Impairment of receivables	(1 086)	(986)
Total net receivables	**1 299**	**2 686**

Ageing structure of overdue trade receivables	31 Dec 2017	31 Dec 2016
up to 1 month	309	272
1 - 3 months	67	40
3 - 6 months	46	13
6 - 12 months	71	2
over 1 year	926	2 153
Impairment of receivables	(1 086)	(986)
Total net overdue receivables	**333**	**1 494**

A detailed description of transactions with subsidiaries is presented in note 6.3.41.

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

As at the end of 2017 and the preceding year, there were no restrictions in ownership rights regarding off-balance sheet collateral established.

(amounts in PLN 000s, unless otherwise stated)

6.3.12. Current prepayments

	31 Dec 2017	31 Dec 2016
Insurance	10	31
Rents	-	4
Technical supervision	4	4
Subscriptions and annual fees	0	17
Costs to be re-invoiced	19	49
Finance costs	780	-
Other fees	8	0
Total current prepayments, by title	**821**	**106**

6.3.13. Cash and cash equivalents

	31 Dec 2017	31 Dec 2016
Cash at bank accounts	45 462	5 290
Other cash instruments	0	-
Total cash	**45 462**	**5 290**

Information about interest income on deposits received by the Company is presented in note 6.3.27.

(amounts in PLN 000s, unless otherwise stated)

6.3.14. Share capital structure as at 31 December 2017

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 2017, Elpro Development S.A. held 367 991 shares of Emperia Holding S.A., which are excluded from the count of percentage stakes in total voting rights at the Issuer's General Meeting.

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

(amounts in PLN 000s, unless otherwise stated)

Share capital structure as at 31 December 2016

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue	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

(amounts in PLN 000s, unless otherwise stated)

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

Shareholders	Shares held, as at 31 December 2017	% in share capital	% change	Shares held, as at the date on which the previous annual report was published	Percentage stake held, as at the date on which the previous annual report was published	Votes at 31 December 2017	% of votes at general meeting at 31 Dec 2017
Altus TFI	1 835 200	14.87%	11.60 %	1 644 493	13.32%	14.87%	15.40%
Ipopema TFI	1 229 381	9.96%	-15.71%	1 458 583	11.82%	9.96%	10.32%
AXA OFE	977 481	7.92%	-	977 481	7.92%	7.92%	8.21%
Aviva OFE	834 991	6.77%	-	834 991	6.77%	6.77%	7.01%
NN OFE	1 247 697	10.10%	65.10%	755 713	6.12%	10.10%	10.47%

As at 31 December 2017, Elpro Development S.A. held 428 237 shares of Emperia Holding S.A., which are excluded from the count of voting rights at the Issuer's General Meeting.

Changes in shareholding by Management Board and Supervisory Board members

Management Board members	Shares held, as at 31 December 2017	% in share capital 31.12.2017	% change	Shares at 31 December 2016	% in share capital as at 31 Dec 2016
Dariusz Kalinowski	41 094	0.333%	-	41 094	0.333%
Cezary Baran	600	0.005%	-	600	0.005%

Supervisory Board members	Shares held, as at 31 December 2017	% in share capital 31.12.2017	% change	Shares at 31 December 2016	% in share capital as at 31 Dec 2016
Jarosław Wawerski	19 494	0.158%	-	19 494	0.158%

6.3.15. Retained earnings

	31 Dec 2017	31 Dec 2016
Profit (loss) for the period	(2 078)	18 014
Deductions from profit for financial year	10	(9)
Total retained earnings	**(2 068)**	**18 005**

(amounts in PLN 000s, unless otherwise stated)

6.3.16. Non-current liabilities

	31 Dec 2017	31 Dec 2016
Collateral (rent)	110	112
Total	**110**	**112**

6.3.17. Provisions

	31 Dec 2017	31 Dec 2016
Employee benefit provisions	**245**	**561**
a) retirement pay	*39*	*34*
b) untaken holidays	*110*	*138*
c) annual pay bonuses	*92*	*373*
d) actuarial losses	*4*	*16*
Other provisions	**70**	**99**
a) audit of financial statements	*70*	*99*
Total provisions	**315**	**660**

Provisions	31 Dec 2017	31 Dec 2016
Non-current	**39**	**49**
a) retirement pay	*35*	*34*
b) actuarial losses	*4*	*16*
Current	**276**	**611**
a) retirement pay	*4*	*0*
b) untaken holidays	*110*	*138*
c) annual pay bonuses	*92*	*373*
d) audit of financial statements	*70*	*99*
Total provisions	**315**	**660**

Change in employee benefit provisions	31 Dec 2017	31 Dec 2016
Employee benefit provision - retirement pay - as at the beginning of period	**34**	**29**
Increases	5	5
Decreases	-	-
Employee benefit provision - retirement pay - as at the end of period	**39**	**34**
Employee benefit provision - untaken holidays - as at the beginning of period	**138**	**98**
Increases	*-*	*40*
Decreases	*(28)*	*-*
Employee benefit provision - untaken holidays - as at the end of period	**110**	**138**

(amounts in PLN 000s, unless otherwise stated)

Employee benefit provision - annual pay bonuses - as at the beginning of period	**373**	**207**
Increases	*-*	*165*
Decreases	*(281)*	*-*
Employee benefit provision - annual pay bonuses - as at the end of period	**92**	**373**
Provisions for actuarial gains/losses at the beginning of period	**16**	**4**
Increases	*-*	*12*
Decreases	*(12)*	*-*
Provisions for actuarial gains/losses at the end of period	**4**	**16**
Employee benefit provision - employment restructuring - as at the beginning of period	**-**	**-**
Increases	*-*	*-*
Decreases	*-*	*-*
Employee benefit provision - employment restructuring - as at the end of period	**-**	**-**
Employee benefit provisions as at the beginning of period	**561**	**338**
Increases	*5*	*223*
Decreases	*(321)*	*-*
Employee benefit provisions as at the end of period	**245**	**561**

Recognition and reversal of provisions were recorded in administrative expenses in the statement of profit and loss for 2017, except for actuarial losses, which were recognised in retained earnings.

Changes in other provisions	31 Dec 2017	31 Dec 2016
Other provisions at the beginning of period	100	19
Increases	135	130
Increases	(165)	(50)
Other provisions at the end of period	**70**	**99**

Employee benefit provision - post-employment benefits

One-off retirement/disability allowances	31 Dec 2017	31 Dec 2016
As at the beginning of period	**50**	**33**
including: long-term	*49*	*33*
short-term	*1*	*0*
Employment costs	3	4
including: current employment costs	*3*	*4*
future employment costs	*0*	*0*
Net interest on net liabilities	2	1
Actuarial (gains) losses	*(12)*	*12*
(Benefits paid out)	0	0
As at the end of period	**43**	**50**
including: long-term	*39*	*49*
short-term	*4*	*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 2017)

	One-off retirement/disability allowances
Discount rate increase by 0.5%	(1)
Discount rate decrease by 0.5%	1
Wage growth increase by 0.5%	1
Wage growth decrease by 0.5%	(1)
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 2017 were as follows:
- discount rate - 3.5% in 2018 and subsequent years,
- employee mortality - same as mortality for the entire population in Poland,
- incapacity for work - established based on the probabilities of employee mortality and age,
- expected future wage growth (nominal, including inflation) - 3.0% in 2018 and subsequent years,
- employee turnover - 7.0% annually (it was also assumed that turnover begins to decrease with age on a linear basis 10 years before retirement age, reaching 0% three years before retirement),
- retirement - individual retirement age for employees.

6.3.18. Deferred income tax provisions

	31 Dec 2017	31 Dec 2016
Deferred income tax provisions at the beginning of period, including:	**655**	**642**
a) recognised through profit or loss	*655*	642
Increases	209	13
a) recognised through profit or loss	*209*	*13*
Decreases	-	-
a) recognised through profit or loss	-	-
Deferred income tax provisions at the end of period, including:	**864**	**655**
a) recognised through profit or loss	*864*	*655*

(amounts in PLN 000s, unless otherwise stated)

Deferred income tax provisions, the basis of which are temporary differences resulting from:	31 Dec 2017	31 Dec 2016
Revaluation of financial assets	-	-
Difference between the balance sheet value and tax value of property, plant and equipment	859	655
Other items	5	0
Deferred income tax provisions at the end of period	**864**	**655**

	31 Dec 2017	31 Dec 2016
Deferred income tax provisions:	**864**	**655**
- to be realised within 12 months	129	0
- to be realised after 12 months	735	655

6.3.19. Credit facilities, loans, debt instruments and other current financial liabilities

	31 Dec 2017	31 Dec 2016
Debt instruments	58 619	19 959
Total credit facilities, loans, debt instruments and other current financial liabilities	**58 619**	**19 959**

Transactions concerning issued short-term bond (expressed in par values)

Issue and buy-back of bonds in 2017	Elpro Development S.A.	Total
As at the beginning of period	**20 000**	**20 000**
Issue of bonds	*235 000*	*235 000*
Redemption of bonds by issuer	*(196 000)*	*(196 000)*
As at the end of period	**59 000**	**59 000**
As at the end of period, after discount	-	-

Issue and buy-back of bonds in 2016	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	-	-

(amounts in PLN 000s, unless otherwise stated)

6.3.20. Current liabilities

	31 Dec 2017	31 Dec 2016
For products and services	543	553
- including: towards related parties	129	*145*
For taxes and other state fees	2 728	547
Remuneration	195	179
Other liabilities	89	77
- including: towards related parties	-	-
Total liabilities	**3 555**	**1 356**

Ageing structure of trade payables	31 Dec 2017	31 Dec 2016
up to 1 month	452	405
1 - 3 months	0	0
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
Overdue	91	148
Total liabilities	**543 072.51**	**553**

Ageing structure of overdue trade payables	31 Dec 2017	31 Dec 2016
up to 1 month	73	114
1 - 3 months	2	29
3 - 6 months	16	-
6 - 12 months	-	5
over 1 year	-	-
Total overdue liabilities	**91**	**148**

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

A detailed description of related-party transactions is presented in note 6.3.41.

6.3.21. Deferred revenue, by title

	31 Dec 2017	31 Dec 2016
Payment of compensation	6	6
Contractual penalties	9	1 208
Other	0	53
Total deferred revenue, by title	**15**	**1 267**

(amounts in PLN 000s, unless otherwise stated)

6.3.22. Net revenue from sale of services

Net revenue from sales of services (product structure - types of activities)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Sale of services	13 922	15 910
including: to related parties	*8 071*	*10 206*
Total net revenue from sale of services	**13 922**	**15 910**
including: to related parties	*8 071*	*10 206*

Net revenue from sales of services (geographical structure)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Domestic	13 922	15 910
including: to related parties	*8 071*	*10 206*
Export	-	-
including: to related parties	-	-
Total net revenue from sale of services	**13 922**	**15 910**
including: to related parties	*8 071*	*10 206*

6.3.23. Net revenue from sale of goods and materials

Net revenue from sale of goods and materials (product structure - types of activities)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Sale of goods and materials	73	42
including: to related parties	73	*42*
Total net revenue from sale of goods and materials	**73**	**42**
including: to related parties	*73*	*42*

Total net revenue from sale of goods and materials (geographical structure)	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Domestic	73	42
including: to related parties	73	*42*
Export	-	-
including: to related parties	-	-
Total net revenue from sale of goods and materials	**73**	**42**
including: to related parties	*73*	*42*

6.3.24. Other operating revenue

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Gain on disposal of other non-financial non-current assets	-	165
Impairment of assets	-	52
Other operating revenue	1 092	37
Total other operating revenue	**1 092**	**254**

(amounts in PLN 000s, unless otherwise stated)

Revaluation of financial and non-financial assets		
Recognition of receivables impairment (negative value)	-	*(57)*
Reversal of receivables impairment	-	*109*
Total impairment of financial and non-financial assets	**-**	**52**

Other operating revenue		
Compensation from transport insurance	19	14
Compensation from property insurance	1	-
Other damages	200	-
VAT refund	23	6
Awarded legal costs	12	16
Rounding	0	0
Transfer of rights from lease agreements	814	-
Other revenue	23	1
Total other operating revenue	**1 092**	**37**

6.3.25. Costs by nature

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Depreciation / amortisation	(1 848)	(1 672)
Use of materials and energy	(1 676)	(1 735)
Third-party services	(7 024)	(3 826)
Salaries	(8 025)	(3 451)
Employee benefits	(598)	(690)
Taxes and fees	(577)	(575)
Other costs	(62)	(78)
Total costs by nature	**(19 810)**	**(12 027)**
Selling costs	-	-
Administrative expenses	(13 617)	(4 873)
Cost of manufacture of services sold	(6 193)	(7 154)

During 2016-2017, depreciation was fully recorded in administrative expenses and cost of services sold.

Employment costs	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Salaries	(8 025)	(3 451)
Social security	(524)	(546)
Workplace social security fund	(14)	(40)
Training	(59)	(91)
Other	(1)	(13)
Total employment costs	**(8 623)**	**(4 141)**

(amounts in PLN 000s, unless otherwise stated)

On 19 January 2017, the Management Board of Emperia Holding S.A. announced that the Supervisory Board had adopted a resolution on the appointment of a statutory auditor for 2017. 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	100	99
Other assurance services, including review of financial statements	65	24
Tax advisory services	-	4
Due diligence	1 499	-
Total remuneration to entities authorised to audit financial statements	**1 664**	**127**

6.3.26. Other operating expenses

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Loss on disposal of non-financial non-current assets	(81)	(6)
Impairment of assets	(53)	-
Other operating expenses	(132)	(23)
Total other operating expenses	**(266)**	**(29)**

Revaluation of financial and non-financial assets		
Recognition of receivables impairment (negative value)	*(162)*	-
Reversal of receivables impairment	*109*	-
Total impairment of financial and non-financial assets	**(53)**	

Other operating expenses		
Donations	-	-
Transport-related damages	(23)	(17)
Property damages	-	(1)
Legal costs	(109)	(1)
Other costs	(0)	(4)
Total other operating expenses	**(132)**	**(23)**

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

(amounts in PLN 000s, unless otherwise stated)

6.3.27. Finance income

Finance income	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Dividends received, including:	6 384	14 674
- from related parties	6 384	*14 674*
Interest, including:	174	396
- from related parties	13	*190*
Gain on disposal of investments	-	179
Other finance income	207	142
- from related parties	207	*142*
Total finance income	**6 765**	**15 391**

Interest income on bonds		
Interest on loans	-	-
- from related parties	-	-
Interest on bank deposits	140	180
Interest on overdue receivables	34	33
- from related parties	*13*	*14*
Interest on bonds	-	183
- from related parties	-	*176*
Total interest income	**174**	**396**

Other finance income		
Proceeds from collateral issued	60	142
- from related parties	*60*	*142*
Share of insurers' profits	147	-
Total other finance income	**207**	**142**

Income from collateral provided covers Emperia Holding S.A.'s fees from subsidiaries for credit collateral issued to these companies. Collateral provided in 2017 comprised sureties and guarantees.

6.3.28. Finance costs

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Interest, including:	(1 132)	(530)
- to related parties	(1 122)	*(528)*
Loss on disposal of investments	-	(140)
Other finance costs	(2 509)	(1)
Total finance costs	**(3 641)**	**(671)**

(amounts in PLN 000s, unless otherwise stated)

Interest costs		
Interest on overdue receivables	(1)	(460)
- including: from related parties	(0)	*(459)*
Interest on issued bonds	(1 131)	(70)
- including: from related parties	(1 121)	*(70)*
Statutory interest	(0)	0
Total interest costs	**(1 132)**	**(530)**

Other finance costs		
Negative exchange differences	(2)	-
Cost of bank guarantees	(1 783)	
Impairment of financial assets	-	-
Interest cost on employee provisions	(1)	(1)
Other	(723)	-
Total other finance costs	**(2 509)**	**(1)**

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

Profit or loss, by category of instrument		
Interest income		
Bank deposits	140	180
Bonds	-	183
Loans issued	-	-
Trade receivables	34	33
Other	-	-
Total interest income	**174**	**396**
Interest costs	-	-
Short- and long-term credit facilities	-	-
Finance leasing	-	-
Bonds issued	(1 131)	(70)
Loans received		-
Trade payables	(1)	(460)
Other	(0)	(0)
Total interest costs	**(1 132)**	**(530)**

(amounts in PLN 000s, unless otherwise stated)

6.3.29. Current income tax

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit before tax	**(1 865)**	18 869
Revenue not subject to taxation, according to tax regulations (decreasing the tax base)	**(6 507)**	**15 125**
przychody finansowe	*(6 408)*	*15 036*
Other operating revenue	*(99)*	*89*
Items creating taxable revenue (increasing the tax base)	**-**	**-**
Finance income	-	-
Other operating revenue	-	-
Costs and losses not recognised as tax deductible expenses (higher tax base)	**7 900**	**3 206**
Operating expenses	*5 178*	*2 262*
Finance costs	*2 574*	*886*
Other operating expenses	*148*	*58*
Items increasing tax deductible expenses (lower tax base)	**(3 121)**	**2 231**
Taxable income	**(3 593)**	**4 720**
Remaining to be deducted from profit	-	-
Settlement of prior-period losses	-	-
Income tax base	**(3 593)**	**4 720**
Income tax at 19% rate	(683)	897
Increases, discontinuations, exemptions, deductions and decreases of tax	-	-
Current income tax, calculated for the reporting period	**-**	**897**

Effective tax rate	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Gross result:	(1 865)	18 869
Tax in profit or loss:	213	855
Preliminary effective tax rate:	11%	4.5%
Explanations		
Differences on deferred tax	(213)	20
Tax effects of non-taxable revenues, according to tax regulations	1 236	2 874
Tax effects of non-deductible costs, according to tax regulations	(908)	(164)
Effect of tax losses incurred in the period	(682)	-
After taking into consideration the explanations	(354)	3 585
Effective tax rate after explanations	19%	19%
Income tax at the 19% rate	**(354)**	**3 585**
Tax at the effective rate	**(354)**	**3 585**

The loss was not capitalised due to expected tax losses in future years.
The effective tax rate was mainly affected by dividends received from subsidiaries.

(amounts in PLN 000s, unless otherwise stated)

6.3.30. Deferred income tax recorded in profit or loss

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Decrease (increase) from recognition and reversal of temporary differences	(213)	42
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	**(213)**	**42**
Deferred income tax recorded outside of profit or loss	**-**	**-**

6.3.31. (Loss)/profit per share for the period

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Profit / (loss) for the period	(2 078)	18 014
Weighted average number of shares	11 933 984	12 086 113
Earnings per share	(0,17)	1,49
Diluted profit (loss) per share	(0,17)	1,49

6.3.32. Profit allocation proposed by the Management Board

	12 months ended 31 Dec 2017*	12 months ended 31 Dec 2016
Profit / (loss) for the period, including:	(2 078)	18 014
coverage of prior-period losses	-	*9*
reserve capital	-	*18 005*

* As at the date on which these financial statements were prepared, the Management Board did not adopt a resolution on allocation of profit for 2017.

(amounts in PLN 000s, unless otherwise stated)

6.3.33. Cash and cash equivalents structure

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016
Cash at bank accounts		
- as at the beginning of period	*5 290*	*10 571*
- as at the end of period	*45 462*	*5 290*
Other cash instruments		
- as at the beginning of period	-	-
- as at the end of period	-	-
Total cash		
- as at the beginning of period	*5 290*	*10 571*
- as at the end of period	*45 462*	*5 290*

6.3.34. 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 2017	12 months ended 31 Dec 2016
Change in receivables	**1 371**	**(75)**
- balance sheet change in receivables	*1 371*	*938*
- change in receivables related to disposal of property, plant and equipment	-	*(1 013)*
Change in liabilities	**2 217**	**(336)**
- change in liabilities	*2 197*	*(56 525)*
- repayment of financial liabilities	-	*56 075*
- adjustment for higher investment liabilities	*19*	*113*

6.3.35. 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 2017 profit.

In 2017, Emperia Holding S.A. did not pay out a dividend as part of allocating its 2016 profit. On 28 June 2017, the General Meeting of Emperia Holding S.A. adopted a resolution on use of Emperia Holding S.A.'s 2016 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 6 384 000 to Emperia Holding S.A.

(amounts in PLN 000s, unless otherwise stated)

6.3.36. 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.

Pursuant to the Credit Agreement of 27 April 2017, as amended, a bank consortium is providing financing for a potential tax liability in the form of a credit facility of up to PLN 150 million for Elpro Development S.A. and PLN 10 million for Stokrotka sp. z o.o. or in the form of a guarantee for the repayment of this liability of up to PLN 202 million for Emperia Holding S.A. The Agreement also includes the option to obtain working capital and guarantee lines for Stokrotka sp. z o.o. Pursuant to this agreement, term credit facilities and guarantee securing repayment of the tax liability may not be held simultaneously, these are independent products that due to their complexity had to be secured separately. Given the above, the amounts of mortgage for each company include the following secured products:
- Emperia Holding S.A. has established collateral on its properties for:
a) guarantee for repayment of tax liability - PLN 303 million
b) Elpro Development S.A.'s term loan - PLN 225 million
c) Stokrotka sp. z o.o.'s term loan - PLN 15 million
d) the hedging contracts of Stokrotka sp. z o.o. and Elpro Development S.A. – PLN 91.7 million
TOTAL = PLN 634.7 million

Other off-balance-sheet collateral (as at 31 Dec 2017)

2017	Credit facilities	Bank guarantees	Security interests
Guarantees			
As at the beginning of period	**-**	**25 000**	**9 325**
Increases during the period	-	-	-
Decreases during the period	-	*(25 000)*	*(7 150)*
As at the end of period	**-**	**-**	**2 175**

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**

(amounts in PLN 000s, unless otherwise stated)

6.3.37. Financial and operating leasing

2017:

Arrangements containing a lease component in accordance with IFRIC 4

Asset	Term of agreement	As at 31 Dec 2017	As at 31 Dec 2018	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	*specified*	47	47	189	236
	unspecified	-	-	-	-
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	5	6	24	30
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	-

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

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.

(amounts in PLN 000s, unless otherwise stated)

6.3.38. Emperia Holding S.A. as tenant

2017:

Agreements executed by Emperia Holding S.A. as tenant

Asset	Term of agreement	As at 31 Dec 2017	As at 31 Dec 2018	1 to 5 years	Over 5 years
			Minimum annual payment		
Property	*specified*	4 801	4 849	20 453	24 936
	unspecified	2 268	2 304	11 519	23 037
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	-	-	-	-
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	-

These agreements concern the Company's investment properties.
A 10-year period has been adopted for agreements with an undefined term.

2016:

Agreements executed by Emperia Holding S.A. as tenant

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*	4 661	4 801	20 453	24 936
	unspecified	2 202	2 268	11 519	23 037
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	-	-	-	-
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	

These agreements concern the Company's investment properties.
A 10-year period has been adopted for agreements with an undefined term.

6.3.39. 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.

(amounts in PLN 000s, unless otherwise stated)

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

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

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

In 2017, 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 2017 are described in note 6.3.50;
- equity transactions covering payment of dividend by subsidiaries - information about the level of dividends received by the Company is presented in note 6.3.35 ;
- short-term bonds were issued as part of the Group's cash flow management, as described in note **Błąd! Nie można odnaleźć źródła odwołania.**6.3.19 (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.	Elpro Development S.A.	Eldorado Sp. z o.o.
Receivables	236	12	3	3
Payables	7	123	-	-
Transaction proceeds	6 958	556	619	9
Transaction costs	4 081	349	359	6
Purchase of services	2	1 207	-	-
Sale of services	6 916	550	559	9
Purchase of properties and other assets	2	1 209	-	-
Disposal of properties and other assets	137	661	-	-
Financing-related transfers (including loans and equity contributions), dividends - proceeds	-	6 385	233 539	-
Financing-related transfers (including loans and equity contributions), dividends - expenditures	-	-	196 000	-
guarantees and sureties issued	2 140	35	-	-

6.3.42. Average employment

2017:

Item	Total	White collar workers	Blue collar workers
Employment	42	42	-

(amounts in PLN 000s, unless otherwise stated)

2016:

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

6.3.43. 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 2017 (cash basis):

First and last name	Total salary	Pay bonus	Material considerations and sick pay	TOTAL
Kalinowski Dariusz	122.9	4 094.7	-	4 217.6
Baran Cezary	116.9	1 856.5	-	1 973.4
TOTAL	**239.8**	**5 951.2**	**-**	**6 191.0**

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

First and last name	TOTAL
Kalinowski Dariusz	523.6
Baran Cezary	305.8
TOTAL	**829.4**

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

First and last name	Salary
Kawa Artur	86.40
Kowalczewski Michał	43.20
Laskowski Artur	43.20
Wawerski Jarosław	43.20
Widera Aleksander	43.20
TOTAL	**259.20**

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

Management Board

Dariusz Kalinowski – President of the Management Board

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

Cezary Baran – Vice-President of the Management Board

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

The composition of the Management Board of Emperia Holding S.A. did not change in 2017.

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 2017.

6.3.45. 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.

6.3.46. 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	**2017** fair value	**2017** book value	Classification of financial instruments as per IAS 39 (book value): Carried at fair value through profit or loss – Designated at initial recognition	Carried at fair value through profit or loss – Held for trading	Carried at fair value with changes in equity – Available for sale	Carried at fair value with changes in equity – Hedge accounting	Carried at amortised cost – Loans and receivables	Carried at amortised cost – Held to maturity	at purchase price
Financial assets									
Shares	426 286	426 286	-	-	-	-	-	-	426 286
Short-term loans	-	-	-	-	-	-	-	-	-
Long-term collateral	-	-	-	-	-	-	-	-	-
Trade receivables	1 299	1 299	-	-	-	-	-	1 299	-
Financial asset receivables other than the above	-	-	-	-	-	-	-	-	-
Debt instruments	58 619	58 619	-	-	-	-	58 619	-	-
Cash and cash equivalents	45 462	45 462	-	-	-	-	45 462	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-

Financial liabilities by balance sheet item	**2017** fair value	**2017** book value	Classification of financial instruments as per IAS 39 (book value): Carried at fair value through profit or loss – Designated at initial recognition	Carried at fair value through profit or loss – Held for trading	Carried at amortised cost	Carried at fair value with changes in equity – Hedge accounting		Other (book value)	
Financial liabilities									
Long-term collateral and other liabilities	110	110	-	-	110	-	-	-	-
Trade payables	543	543	-	-	543	-	-	-	-
Financial liabilities other than the above	284	284	-	-	284	-	-	-	-

(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	2 686	2 686	-	-	-	-	-	2 686	-
Financial asset receivables other than the above	-	-	-	-	-	-	-	-	-
Debt instruments	19 959	19 959	-	-	-	-	19 959	-	-
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)

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
2017	1 299	967	309	23	-	-	-
2016	2 686	1 191	272	40	13	2	1 168

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

Impairment of receivables	31 Dec 2017	31 Dec 2016
As at the beginning of period	**(2 036)**	**(2 352)**
Increases (resulting from acquisitions)	(163)	(57)
Reversal	110	110
Derecognised from statement of profit and loss	60	263
As at the end of period	**(2 029)**	**(2 036)**

Rules concerning recognition and reversal of impairment losses on receivables are presented in note 6.2.17.

(amounts in PLN 000s, unless otherwise stated)

Ageing structure of financial liabilities

Item	Total liabilities	Liabilities due in: Up to 1 year	1 - 3 years	Over 3 years
2017				
Credit facilities				
Loans	-	-	-	-
Finance leasing	-	-	-	-
Long-term collateral retained	110	-	32	78
Debt instruments	58 619	58 619	-	-
Trade payables	543	543	-	-
Other liabilities	284	284		
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	-	-

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

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

Period	Total liabilities	Liabilities not overdue	Liabilities Overdue Due in up to 1 month	Liabilities Overdue Due in 1 - 3 months	Liabilities Overdue Due in 3 - 6 months	Liabilities Overdue Due in 6 months - 1 year	Liabilities Overdue Due in over 1 year
2017	543	452	73	2	16	-	-
2016	553	405	114	29	-	5	-

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

(amounts in PLN 000s, unless otherwise stated)

Profit or loss, by category of instrument

Interest income	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Cash and cash equivalents	140	180
Debt instruments	-	183
Loans issued	-	-
Trade receivables	34	33
Financial receivables other than mentioned above	-	-
	174	**396**

Interest costs	01.01.2017 – 31.12.2017	01.01.2015 – 31.12.2016
Short- and long-term credit facilities	-	-
Loans received	-	-
Finance leasing	-	-
Debt instruments	(1 131)	(70)
Trade payables	(1)	(460)
Financial liabilities other than the above	-	(0)
	(1 132)	**(530)**

(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.

	31.12.2017	31.12.2016
Equity	465 391	467 459
Minus: intangible assets	(840)	(1 156)
Equity, less intangible assets	464 551	466 303
Balance sheet total	528 869	491 531
Equity ratio	**0.88**	**0.95**

	31.12.2017	31.12.2016
Operating profit	(4 989)	4 149
Plus: depreciation	1 848	1 672
EBITDA	(3 141)	5 821
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.

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

Did not occur at the Company.

6.3.48. Discontinued operations

Did not occur at the Company.

6.3.49. Correction of prior-period errors

Did not occur at the Company.

6.3.50. Mergers, share purchases or disposals, capital increases

No such events took place at Emperia Holding S.A. during the period.

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.

6.3.51. Other significant information

a) Tax probe by Treasury Control Office

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

Factual status:

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

Charges made by the Tax Control Office:

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

Company's position:

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

2. On 10 February 2017, Emperia appealed the decision to the Head of the Tax Chamber in Warsaw.
3. 8 August 2017 – the Head of the Tax Authority Chamber in Warsaw issued a decision upholding the decision issued by the Head of the Tax Control Office
4. 21 August 2017 – the Company lodged a complaint with the Voivodeship Administrative Court, with the intermediation of the Head of the Tax Authority Chamber, regarding the decision issued by the Head of the Tax Control Office, moreover:
   - it lodged a motion with the Head of the 2nd Mazowieckie Tax Office in Warsaw for suspension of decision issued by the Head of the Tax Control Office together with a motion to accept collateral for the tax liability concerning corporate income tax for 2011 together with late interest, in the form of a bank guarantee;
   - provided four bank guarantee documents to the Head of the 2nd Mazowieckie Tax Office in Warsaw, issued by the following banks: PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A. and Bank Pekao S.A., for a total amount of PLN 198 million.
5. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office in Warsaw on acceptance until 20 August 2018 of a security for the payment of corporate income tax for 2011 in the form of four bank guarantees (PKO BP S.A., BGŻ BNP Paribas S.A., mBank S.A., Bank Pekao S.A.) up to a maximum amount of PLN 198.1 million

6. 5 September 2017 – the Company received a ruling from the Head of the 2nd Mazowieckie Tax Office on suspension of a decision issued by the head of a tax administration chamber until 20 August 2018
7. Expected deadline for the case to be examined by the Voivodship Administrative Court: end of Q2 2018

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

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

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

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

Pursuant to an authorisation under resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012, subsidiary Elpro Development S.A. during H1 2017 purchased, in block transactions, 60 246 shares of Emperia Holding S.A. for cancellation. At the date on which these financial statements were published, Elpro Development S.A. held a total of 428 237 shares of Emperia Holding S.A., entitling to 428 237 (3.470%) votes at the Company's general meeting and constituting 3.470% of the Company's share capital. The shares bought back are to be cancelled by Emperia Holding S.A.
On 30 June 2017, Elpro Development S.A. completed the buy-back programme at Emperia Holding S.A. by Elpro Development S.A., after lapse of the deadline specified in resolutions by the Issuer's Supervisory Board.

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

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

e) Intra-group bond issuance

On 27 January 2017, Emperia Holding S.A. issued short-term bonds maturing on 10 March 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.

(amounts in PLN 000s, unless otherwise stated)

On 14 April 2017, Emperia Holding S.A. issued short-term bonds maturing on 19 May 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 20 million.

On 19 May 2017, Emperia Holding S.A. issued short-term bonds maturing on 16 June 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 15 million.

On 16 June 2017, Emperia Holding S.A. issued short-term bonds maturing on 15 September 2017, which were acquired by Elpro Development S.A. The bonds' par value was PLN 50 million.

f) Credit and guarantee agreement and annex

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

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

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

In connection with Emperia's intention to provide collateral for the tax liability to the relevant tax authority, as referred to in art. 33d § 2 point 1) of the act of 29 August 1997 - Tax Ordinance, in order to suspend performance of this tax authority's final decision concerning a tax liability in connection with an appeal lodged with the administrative court (if the appeals authority upholds the tax authority's decision), the Banks agreed to issue a guarantee line for the Company on terms specified in Annex 1 to the Credit Agreement.
Annex 1 to the Credit Agreement of 27 April 2017 was signed on 26 June 2017 between the following companies: ELPRO Development S.A., Stokrotka sp. z o.o., Emperia Holding S.A. and banks: mBank S.A., Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank BGŻ BNP Paribas S.A., pursuant to which the above lenders will extend a guarantee line to Emperia Holding S.A. under which bank guarantees for a total amount of PLN 202 million will be issued at Emperia Holding S.A.'s request for the benefit of the State Treasury, represented by the Head of the 2nd Mazowieckie Tax Office in Warsaw, as collateral for Emperia Holding S.A.'s tax liability concerning corporate income tax for 2011, and Stokrotka Sp. z o.o. will accede to the debt related to these guarantees for a maximum amount of PLN 15 million, jointly and severally with Elpro Development S.A., which will accede to the debt related to these guarantees for a maximum amount of PLN 240 million .
The Company's maximum own contribution to the guarantee lines will be PLN 54 million.
The maximum term of validity for these guarantees will be 12 months from the date of issue. Fees for the guarantees will be in the form of an origination commission.
Annex 1 to the Credit Agreement was executed on market terms. The other provisions, including provisions related to penalties, do not differ from provisions commonly applied in this type of agreement.

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

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

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

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

On 24 November 2017, Maxima Grupė announced a tender offer for 12 342 027 ordinary shares of Emperia Holding, which corresponds to 100% of general meeting votes, at the price of PLN 100 per share. Subscriptions began on 14 December and were accepted until 21 February 2018. The minimum number of shares (and votes) covered by subscriptions, after reaching which the tenderer would purchase shares in the tender offer, is 8 145

737, representing the same number of general meeting votes, which constitutes 66% of total shares and entitles to 66% of total voting rights. If the tenderer purchases shares representing at least 90% of general meeting votes, it will consider a mandatory squeeze out and de-listing from the Warsaw Stock Exchange. If the tenderer does not purchase shares corresponding to 90% of votes, it will consider buying further shares and subsequently a mandatory squeeze out and de-listing from the Warsaw Stock Exchange. The tender offer was announced on the condition that approval is obtained from the Office of Competition and Consumer Protection.

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

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

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

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

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

j) Management Board recommendation on 2017 profit allocation

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

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

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

6.3.52. Significant events after the reporting period

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

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

On 5 March 2018, the District Court in Warsaw, 16th Commercial Division, delivered to Emperia Holding S.A. a copy of a lawsuit initiated by Eurocash S.A., based in Komorniki, regarding cancellation of resolution 2 of the Issuer's Extraordinary General Meeting on 20 December 2017 regarding changes to the Issuer's Articles of Association. At the same time, the Court gave Emperia Holding S.A. one month to respond to the lawsuit. The Issuer does not agree with Eurocash's arguments specified in the lawsuit and will undertake all legally permitted actions intended to protect the interests of Emperia Holding S.A., including filing a response to the lawsuit within the prescribed deadline.

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

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

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

On 14 February 2018, Maxima Grupė extended the subscription deadline to 16 March 2018, i.e. for an amount of time that is necessary to obtain approval from the president of the Office of Competition and Consumer Protection. Maxima Grupė's new deadline for receipt of the decision on approval for concentration is 14 March 2018.
On 14 March 2018, Maxima Grupė extended the subscription deadline to 12 April 2018.
As a result of settling the Tender Offer, which took place on 18 April 2018, Maxima purchased and holds directly 11 559 259 shares of the Company, which constitutes 93.66% of the Company's share capital and entitles to exercise 11 559 259 votes at the Company's general meeting, which represents 93.66% of total votes at the Company's general meeting.
In connection with the share purchase under the Tender Offer, Elpro Development S.A., a wholly-owned subsidiary of the Company, which holds 428 237 shares of the Company, constituting 3.47% of the Company's share capital and entitling to exercise 428 237 votes at the Company's general meeting, which represents 3.47% of total votes at the Company's General Meeting, became an indirect subsidiary of Maxima.

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

On 23 February 2018, the Management Board of Emperia Holding S.A. received notification stating that following the clearing on 20 February 2019 of a transaction to sell 100 000 shares of Emperia Holding S.A. on the regulated market, investment funds managed by the Fund decreased their stake by more than 2% in the total number of votes in Emperia Holding S.A., compared to the notification from ALTUS TFI SA published by the Company on 14 December 2017. Following the change, investment funds managed by ALTUS TFI S.A. hold a total of 1 561 240 shares of the Company, which constitutes 12.65% of the Company's share capital and entitles to exercise 1 561 240 votes at the Company's general meeting, i.e. 12.65% of total votes. This includes ALTUS 29 FIZ, which 1 409 678 shares of the Company, constituting 11.42% of the Company's share capital and entitling to 1 409 678 votes at the Company's general meeting, i.e. 11.42% of total votes.

d) Sale of shares in Emperia Holding S.A. by members of Emperia Holding S.A.'s Management Board

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

On 12 March 2018, Dariusz Kalinowski, serving as President of the Issuer's Management Board, submitted a notification concerning sale of the Issuer's shares. As a result of this transaction, on 8 March and 17 April 2018 Dariusz Kalinowski sold a total of 41 094 shares of the Issuer.

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

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

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

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

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

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

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

Warsaw, 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