



STAND ALONE FINANCIAL STATEMENT

ANNUAL REPORT 2007

**PREPARED ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

(ALL AMOUNTS IN THOUSANDS PLN)

LUBLIN, MAY 2008

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1. Selected financial data

SELECTED FINANCIAL DATA	PLN		EURO	
	12 MONTHS ended 31 December 2007	12 MONTHS ended 31 December 2006	12 MONTHS ended 31 December 2007	12 MONTHS ended 31 December 2006
I. Net sales of merchandise and finished products	343 550	1 142 298	90 963	292 964
II. Profit on operating activities	18 573	18 161	4 918	4 658
III. Profit (loss) before taxation	17 999	16 405	4 766	4 207
IV. Net profit (loss)	14 630	13 057	3 874	3 349
V. Net cash flow from operating activities	17 074	21 625	4 521	5 546
VI. Cash flow from investment activities	(174 476)	(25 827)	(46 197)	(6 624)
VII. Cash flow from financing activities	187 178	6 660	49 560	1 708
VIII. Total net cash flows	29 776	2 458	7 884	630
IX. Total assets	596 386	530 106	166 495	138 366
X. Liabilities and provisions for liabilities	12 409	202 673	3 464	52 901
XI. Long-term liabilities	487	44 442	136	11 600
XII. Short-term liabilities	11 922	158 231	3 328	41 301
XIII. Equity	583 977	327 433	163 031	85 465
XIV. Share capital	14 770	12 924	4 123	3 373
XV. Number of shares	14 992 732	12 923 985	14 992 732	12 923 985
XVI. Number of shares - weight average	13 467 096	7 159 173,75	13 467 096	7 159 173,75
XVII. Net profit per ordinary share (in PLN / EUR)	1,09	1,82	0,29	0,47
XVIII. Diluted net profit per ordinary share (in PLN / EUR)	1,09	1,82	0,29	0,47
XIX. Book value per share (in PLN / EUR)	43,36	45,74	12,11	11,94
XX. Diluted book value per share (in PLN/ EUR)	43,36	45,74	12,11	11,94
XXI. Declared or paid dividend (in PLN/ EUR)	1,74	2,76	0,49	0,71

Average rate of Exchange for points I-VIII,XVII-XXI: 2007 - 3,7768 PLN/EURO
2006 - 3,8991 PLN/EURO

Exchange rate for points IX-XIII: as at 31.03.2007 – 3,5820 PLN/EURO
as at 31.03.2006 – 3,8312 PLN/EURO

2. Balance sheet

	Note	As At 31 December 2007	As At 31 December 2006
Total Non-current Assets		468 380	354 176
Property, plant, equipment and investments	1,2	35 922	50 481
Real estates	3		
Intangible assets	4,5	2 685	250
Financial assets	6	428 611	300 470
Receivables and prepayments	7	75	165
Deferred tax assets	8	1 087	2 810
Total Current Assets		128 006	175 930
Inventory	19	6	74 100
Receivables and prepayments	10	10 580	92 616
Income tax receivables			
Short-term securities	11	84 430	2 995
Prepaid expenses	12	396	832
Cash and cash equivalents	13	32 594	2 817
Other financial assets	14		2 570
Total Assets		596 386	530 106
Total Equity		583 977	327 433
Share capital	15	14 770	12 924
Share capital not registered	15	223	
Share premium		536 227	273 292
Capital reserve		1 526	1 526
Other reserve capital		18 542	28 576
Retained earnings	16	12 689	11 115
Total Equity capital assigned Stockholders from dominant company		583 977	327 433
Equity capital of the minority stockholders			
Total Long Term Liabilities		487	44 442
Bank loans, borrowings and bonds	17		43 689
Long-term liabilities	18		
Provisions	19	43	73
Deferred revenues and accruals	20	444	680
Total Short Term Liabilities		11 922	158 231
Bank loans, borrowings and bonds	21		28 991
Short-term liabilities	22	8 162	122 608
Income tax liabilities		119	2 163
Provisions	19	3 634	4 463
Other accrued liabilities	23	7	6
Total Liabilities and Equity		596 386	530 106

Book value	583 977	327 433
Weighted average number of ordinary shares *	13 467 096	7 159 174
Book value per share (in PLN)	43,36	45,74

* weighted average number of ordinary share in 2006: January – November: 6 635 100, December: 12 923 985
weighted average number of ordinary share in 2007: January – March: 12 923 985, April: 13 004 006, May – September:
13 270 200, October: 13 492 732, November – December: 14 992 732

3. Profit and loss

	Note	12 months ended 31 December 2007	12 months ended 31 December 2006
Sales		343 550	1 142 298
- including related entities		90 871	231 984
Sales of products and services	24	51 824	42 469
Sales of goods and materials	25	291 726	1 099 829
Cost of sales		(286 357)	(1 020 801)
- including related entities		(77 285)	(218 282)
Cost of manufactured products sold		(18 743)	
Cost of goods and materials sold		(267 614)	(1 020 801)
Gross profit (loss)		57 193	121 497
Other operating income	26	639	582
Selling costs	27	(21 725)	(79 121)
Overhead costs		(17 234)	(23 193)
Other operating expenses	28	(300)	(1 604)
Operating profit (loss)		18 573	18 161
Finance income	29	2 042	732
Finance costs	30	(2 616)	(2 488)
Profit (loss) before income tax		17 999	16 405
Income tax		(3 370)	(3 348)
Current	31	(1 882)	(4 356)
Deferred	32	(1487)	1 008
Net profit		14 630	13 057

Net profit (loss) (annualised)	14 630	13 057
Weighted average number of ordinary shares *	13 467 096	7 159 174
Profit (loss) per ordinary share (in PLN)	1,09	1,82

* weighted average number of ordinary share in 2006: January – November: 6 635 100, December: 12 923 985
weighted average number of ordinary share in 2007: January – March: 12 923 985, April: 13 004 006, May – September:
13 270 200, October: 13 492 732, November – December: 14 992 732

4. Changes in equity

	Share capital	Share premium	Reserve capital	Other reserve capital	Capital from revaluation	Retained Earnings	Total equity
As at 1 January 2007	12 924	273 292	1 526	28 576		11 115	327 433
Change of accounting policy							
As at 1 January 2007 adjusted	12 924	273 292	1 526	28 576		11 115	327 433
Net profit (loss) for the period						14 630	14 630
The issue of new shares	1 846	262 935					265 004
Share capital not registered	223						223
Dividend for 2006				(10 034)		(13 056)	(23 090)
As at 31 December 2007	14 993	536 227	1 526	18 542		12 689	583 977
As at 1 January 2006	6 635	34 360	1 526	38 285		8 653	89 459
Change of accounting policy							
Fundamental error - settlement bonus in 2005						(1 990)	(1 990)
As at 1 January 2006 adjusted	6 635	34 360	1 526	38 285		6 663	87 469
Net profit (loss) for the period						13 056	13 056
The issue of ner shares	6 289	238 932					245 220
Distribution of profits				6 282		(6 282)	
Dividend for 2005				(15 991)		(2 322)	(18 313)
As at 31 December 2006	12 924	273 292	1 526	28 576		11 115	327 433

5. Cash Flow

	12 months ended 31 December 2007	12 months ended 31 December 2006
Net profit (loss)	14 630	13 057
Adjustments provided by operating activities:	2 444	8 568
Depreciation	5 272	8 501
Interest	1 146	2 181
Income tax	3 370	
Loss (profit) on investments	332	(134)
Change in provisions	336	3 289
Change in inventories	(12 020)	9 579
Change in receivables	1 190	(23 405)
Change in deferred revenues and accruals	513	(1 809)
Change in payables	6 237	9 833
Other adjustments	(6)	533
Income tax paid	(3 926)	
Net cash flow from operations	17 074	21 625
Revenues	65 791	10 658
Disposal of tangible and intangible fixe assets	1 472	402
Disposal of financial assets	59 700	7 570
Interest received	81	186
Repayment of given loans	3 478	
Other revenues	1 060	2 500
Expenses	(240 267)	(36 485)
Purchase of tangible and intangible fixe assets	(17 079)	(8 363)
Purchase os dependent subjects	(82 690)	
Purchase of financial assets	(140 398)	(28 122)
Given loans	(100)	
Net cash flow from investment activities	(174 476)	(25 827)
Revenues	360 079	129 556
Loans and borrowings acquired	32 721	32 616
Income from financial assets	100 247	96 940
Issue of shares	227 088	
Other revenues	23	
Expenses	(172 901)	(122 896)
Repayment of loans and borrowings	(29 351)	(14 060)
Repayment of financial assets	(119 000)	(89 100)
Interest paid	(1 141)	(1 742)
Dividends paid	(23 409)	(17 994)
Net cash flow from financial activities	187 178	6 660
Total net Cash flow	29 776	2 458
Cash and Cash equivalents opening balance	2 817	360
Cash and Cash equivalents closing balance	32 593	2818

6. Other Information and explanatory notes

Note 1

TANGIBLE FIXED ASSETS	31 December 2007	31 December 2006
Freehold land	200	205
-right for perpetual usufruct	200	
Buildings and constructions	19 816	25 700
Equipment and machines	5 034	9 148
Vehicles	4 035	12 575
Other assets	13	2 474
Construction in progress	6 824	363
Prepayments for construction in progress		16
Total tangible fixed assets	35 922	50 481

Construction in progress	31 December 2007	31 December 2006
Freehold land		
-right for perpetual usufruct		
Buildings and constructions	6 814	246
Equipment and machines	10	117
Vehicles		
Others		
Total construction in progress	6 824	363

Tangible fixed assets which are use on the basis of rental, tenancy (except for balance), operational leasing	31 December 2007	31 December 2006
Freehold land		
-right for perpetual usufruct		
Buildings and constructions	12 811	
Equipment and machines	30	
Vehicles		
Others		
Total	12 841	

Note 2 – year 2007

TANGIBLE FIXED ASSETS – MOVEMENTS (by group)	land including perpetual usufruct	buildings	machines and technical equipment	vehicles	other fixed assets	investments	Total fixed tangible assets
a) opening balance of fixed assets, gross value	244	30 703	18 024	26 285	6 286	363	81 903
b) additions:		534	1 377	4 117	175	9 205	15 409
- purchases		10	1 308	2 057	175	9 205	12 755
- transfers from construction in progress		524	69	2 060			2 654
- transfers from warehouse							
- donations							
c) disposals:		(7 970)	(10 363)	(25 269)	(6 420)	(2 745)	(52 765)
- sale			(186)	(996)	(1)	(91)	(1 273)
- liquidation							
- split up							
- relocation						(2 654)	(2 654)
- others – apport		(7 970)	(10 177)	(24 273)	(6 419)		(48 838)
d) closing balance of fixed assets, gross value	244	23 267	9 038	5 133	41	6 823	44 547
e) opening balance of cumulative depreciation	39	4 853	8 875	13 710	3 812		31 289
f) depreciation additions:	5	970	1 532	1 846	270		4 624
- part payment	5	970	1 532	1 846	270		4 624
g) depreciation disposals:		(2 373)	(6 403)	(14 459)	(4 054)		(27 288)
- sales			(142)	(524)			(666)
- liquidation							
- split up							
- relocation							
- others – apport		(2 373)	(6 261)	(13 935)	(4 054)		(26 622)
h) closing balance of cumulative depreciation	44	3 450	4 004	1 097	28		8 625
i) opening balances of value adjustments		149					149
- additions							
- disposals		(149)					(149)
j) closing balances of value adjustments							
k) closing balance of fixed assets, net value	200	19 817	5 034	4 036	13	6823	35 922

Note 2 – year 2006

TANGIBLE FIXED ASSETS – MOVEMENTS (by group)	land including perpetual usufruct	buildings	machines and technical equipment	vehicles	other fixed assets	investments	Total fixed tangible assets
a) opening balance of fixed assets, gross value	244	28 017	15 841	25 943	5 688	1 482	77 216
b) additions:		2 686	3 411	2 028	678	4 518	13 320
- purchases		243	1 475	2 028	434	4 518	8 697
- transfers from construction in progress		2 443	1 932		244		4 619
- transfers from warehouse							
- donations			4				4
c) disposals:		(2)	(1 229)	(1 686)	(80)	(5 637)	(8 633)
- sale			(32)	(1 477)		(904)	(2 413)
- liquidation		(2)	(1 186)	(209)	(80)		(1 476)
- stealing			(11)				(11)
- relocation						(4 731)	(4 731)
- others						(2)	(2)
d) closing balance of fixed assets, gross value	244	30 701	18 023	26 285	6 286	363	81 903
e) opening balance of cumulative depreciation	34	3 498	7 749	11 388	3 126		25 795
f) depreciation additions:	5	1 357	2 351	3 775	760		8 248
- part payment	5	1 357	2 351	3 775	760		8 248
g) depreciation disposals:		(2)	(1 226)	(1 453)	(73)		(2 754)
- sales			(29)	(1 249)			(1 278)
- liquidation		(2)	(1 186)	(204)	(73)		(1 465)
- split up							
- stealing			(11)				(11)
- others - apport							
h) closing balance of cumulative depreciation	39	4 853	8 874	13 710	3 813		31 289
i) opening balances of value adjustments		88					88
- additions		61					61
- disposals							
j) closing balances of value adjustments		149					149
k) closing balance of fixed assets, net value	205	25 699	9 149	12 575	2 473	363	50 465

Note 3

Real Estate	31 December 2007	31 December 2006
opening balance, gross value		
Additions		
Disposals		
Closing balance, gross value		
Opening balance of cumulative depreciation		
Depreciation additions		
Depreciation disposals		
Closing balance of cumulative depreciation		

Note 4

INTANGIBLE FIXED ASSETS	31 December 2007	31 December 2006
Research and development expenditure		
Goodwill		
Concessions, patents, licenses and similar assets	1 641	250
<i>other intangible assets</i>	<i>1 641</i>	
Intangible fixed assets don't engage to use	1 044	
Total intangible fixed assets	2 685	250

Note 5– year 2007

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	research and development	goodwill	concessions, patents, licences and similar assets		other intangible fixed assets	prepayments for intangible fixed assets	Total intangible fixed assets
				computer software			
a) gross value at the beginning of the period		1 644	2 326	2 326	7		2 333
b) additions:			2 077	2 077		1 336	3 413
- purchases			1 785	1 785		1 336	3 121
- purchase as a result of merger							
- transfers from investments			292	292			292
c) disposals			(523)	(523)		(292)	(815)
- sale			(5)	(5)			(5)
- reception to intangible fixe assets						(292)	(292)
- liquidation			(180)	(180)			(180)
- others			(338)	(338)			(338)
d) gross value at end of the period		1 644	3 880	3 880	7	1 044	4 931
e) opening balance of cumulative depreciation		1 644	2 076	2 076	7		2 083
f) depreciation additions			648	648			648
- planned			648	648			648
g) depreciation disposals			(485)	(485)			(485)
- sales			(4)	(4)			(4)
- liquidation			(180)	(180)			(180)
- others - apport			(301)	(301)			(301)
h) closing balance of cumulative depreciation		1 644	2 239	2 239	7		2 246
i) opening balances of value adjustments							
- additions							
- disposals							
j) closing balances of value adjustments							
k) closing balance of fixed assets, net value		0	1 641	1 641	0	1 044	2 685

Note 5– year 2006

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	research and development	goodwill	concessions, patents, licences and similar assets		other intangible fixed assets	prepayments for intangible fixed assets	Total intangible fixed assets
				computer software			
a) gross value at the beginning of the period		1 644	2 090	2 081			3 734
b) additions:			243	243			243
- purchases			131	131			131
- transfers from investments			112	112			112
c) disposals							
- sale							
d) gross value at end of the period		1 644	2 333	2 324			3 977
e) opening balance of cumulative depreciation		1 644	1 829	1 822			3 473
f) depreciation additions			254	252			254
- planned			254	252			254
g) depreciation disposals							
- sales							
h) closing balance of cumulative depreciation		1 644	2 083	2 074			3 727
i) opening balances of value adjustments							
- additions							
- disposals							
j) closing balances of value adjustments							
k) closing balance of fixed assets, net value		0	250	250			250

Note 6

FINANCIAL ASSETS	31 December 2007	31 December 2006
- shares	141 626	299 661
- <i>including related entities</i>	141 626	43 914
- stock	286 985	
- <i>including related entities</i>	286 985	
- loans granted		809
- <i>including related entities</i>		600
Total financial assets	428 611	300 470

Long-term financial assets in related entities	Share	Stock	Other	Loans	Other financial assets	Total long-term financial assets in related entities
A financial assets value at the beginning of the period	43 914	255 748		808		300 470
b) additions	99 347	31 237		22		130 606
- purchases	99 347	31 237				130 584
- purchases as a result of merger						
- apport						
- others				22		22
c) disposals	(1 635)			(830)		(2 465)
- sale	(1 635)					(1 635)
- liquidation						
- others				(830)		(830)
d) A financial assets value at the end of the period	141 626	286 985		0		428 611

Note 7

Long-term receivables and prepaid expenses	31 December 2007	31 December 2006
Long-term receivables	63	63
a) deposit on rental fee	63	63
- <i>including related entities</i>	58	58
b) other long receivables		
- <i>including related entities</i>		
Other prepaid expenses	12	102
Long-term receivables and other prepaid expenses	75	165

Other prepaid expenses	31 December 2007	31 December 2006
Marketing services		95
Cost of manufactured komputer software		
Rent		
Others - subscripcion	12	7
Other prepaid expenses	12	102

Note 8

Deferred tax assets	31 December 2007	31 December 2006
Deferred tax asset at beginning of period	2 810	1 481
a) posted to net result	2 343	1 099
b) posted to equity	467	382
Additions	784	2 212
a) posted to net result	784	2 212
b) posted to equity		
Disposals	(2 507)	(883)
a) posted to net result	(2 040)	(883)
b) posted to equity	(467)	
Total deferred tax asset at the end of the period, including	1 087	2 810
a) posted to net result	1 087	2 428
b) posted to equity		382

Deferred tax assets which grounds are temporary differences come from:	31 December 2007	31 December 2006
Trade debtors	50	
Liabilities for salaries	338	
severance pay	8	
Holiday equivalents with surcharges	150	
Provision for premium salary for the board	523	
Provision for audit	17	
Others	1	
Deferred tax assets at the end of the period	1 087	

Note 9

Inventory	31 December 2007	31 December 2006
Materials	6	5 574
Merchandises		73 390
Finished products		
Semi-products and work in progress		
Prepayments for inventory		72
Revaluation of inventory		(4 936)
Total inventory	6	74 100

Revaluation of inventory	31 December 2007	31 December 2006
Revaluation of inventory – opening balance	(4 936)	(2 457)
Creating of write-offs – inventory		(2 479)
Reversal of write-offs – inventory	4 936	
Revaluation of inventory – closing balance	0	(4 936)

Pledges	31 December 2007	31 December 2006
Pledges:		69 737
- bank loans – goods		67 937
- warranty		1 800

Total pledges	69 737
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Note 10

Receivables	31 December 2007	31 December 2006
Trade debtors	13 843	93 604
<i>including: related entities</i>	4 422	32 505
Taxation, subsidy and social security debtors	974	2 383
Subject to legal proceedings	31	140
Payment on delivery	51	
Other receivables	1 175	2 041
<i>including: related entities</i>	25	1
Impairment loss for bad debts	(5 494)	(5 552)
Total receivables	10 580	92 616

Change in impairment losses for current bad debts	31 December 2007	31 December 2006
Opening balance - at the beginning of the year	(5 552)	(4 787)
Additions	(337)	(1 082)
Disposals	395	317
Closing balance - at the end of the year	(5 494)	(5 552)

Ageing of trade debtors	31 December 2007	31 December 2006
Due within 1 month	6 246	71 552
Due between 1 and 3 months	521	2 551
Due between 3 and 6 months		
Due between 6 months and 1 year		
Due after 1 year		
Overdue trade debtors	7 076	19 501
Impairment loss for trade debtors	(5 494)	(5 411)
Total net trade debtors	8 349	88 193

Ageing of overdue trade debtors	31 December 2007	31 December 2006
1 month	1 371	12 440
between 1 and 3 months	195	1 870
between 3 and 6 months	43	216
between 6 months and 1 year	41	443
after 1 year	5 426	4 531
Impairment loss for trade debtors	(5 494)	(5 411)
Total net overdue trade debtors	1 582	14 089

Note 11

Short term financial assets	31 December 2007	31 December 2006
- debt securities	84 430	2 995
<i>including: related entities</i>	84 430	2 995
Total short term financial assets	84 430	2 995

Note 12

Short term prepaid expenses	31 December 2007	31 December 2006
Marketing services		268
Insurance	166	438
Technical assistance	107	84
Road permissions		25
Advertisements		1
Electricity		3
Subscription	8	7
Email box costs		
Costs to re-invoice	83	2
Costs of the next year		
Other	32	4
Total short term prepaid expenses	396	832

Note 13

Cash and cash equivalents	31 December 2007	31 December 2006
Cash at cash desk	20	2
Cash at bank	32 574	52
Other		2 763
Total cash and cash equivalents	32 594	2 817

Note 14

Other short term financial assets	31 December 2007	31 December 2006
Deposit		
Loans		2 570
<i>including: related entities</i>		
Total other short term financial assets		2 570

Note 15 - 2007

Equity							
Series/ issue	Type of shares	Type of preference	Number of shares	Value of series/ issue in nominal value	Origin of capital	Registration date	Right to dividend (from date)
A	ordinary	none	100 000	100 000	cash	30.11.1994	30.11.1994
B	ordinary	none	2 200 000	2 200 000	cash	26.09.1995	01.01.1995
C	ordinary	none	2 093 700	2 093 700	cash	11.02.1999	01.01.1999
D	ordinary	none	408 400	408 400	cash	25.06.1999	01.01.1999
E	ordinary	none	240 200	240 200	cash	12.12.2001	01.01.2001
F	ordinary	none	259 500	259 500	cash	12.12.2001	01.01.2001
G	ordinary	none	1 333 300	1 333 300	cash	12.12.2001	01.01.2001
H	preference shares	none	2 085 323	2 085 323	contribution - BOS S.A. shares	02.01.2007	01.01.2006
I*	preference shares	none	4 203 562	4 203 562	contribution - BOS S.A. shares	02.01.2007	01.01.2006
J	preference shares	none	55 747	55 747	contribution - BOS S.A. shares	11.05.2007	01.01.2006
K*	preference shares	none	290 468	290 468	contribution - BOS S.A. shares	11.05.2007	01.01.2006
L**	ordinary	none	1 500 000	1 500 000	cash	24.10.2007	01.01.2007
Ł***	preference shares	none	140 388	140 388	contribution - Maro-Markety Sp. z o.o. shares	Not registered	01.01.2007
M***	preference shares	none	82 144	82 144	contribution - Centrum Sp. z o.o. shares	Not registered	01.01.2007
Total number of shares			14 992 732				
Total equity				14 992 732			
One share nominal value =		1 PLN					

* 399 111 shares series „I” and 7 154 shares series „K” have been sold in Public Offering

** 1 500 000 shares series „L” have been sold in Public Offering

*** shares series „Ł” i „M” were registered after balance date - 2008.02.12

Note 15 -2006

Equity							
Series/ issue	Type of shares	Type of preference	Number of shares	Value of series/ issue in nominal value	Origin of capital	Registration date	Right to dividend (from date)
A	ordinary	none	100 000	100 000	cash	30.11.1994	30.11.1994
B	ordinary	none	2 200 000	2 200 000	cash	26.09.1995	01.01.1995
C	ordinary	none	2 093 700	2 093 700	cash	11.02.1999	01.01.1999
D	ordinary	none	408 400	408 400	cash	25.06.1999	01.01.1999
E	ordinary	none	240 200	240 200	cash	12.12.2001	01.01.2001
F	ordinary	none	259 500	259 500	cash	12.12.2001	01.01.2001
G	ordinary	none	1 333 300	1 333 300	cash	12.12.2001	01.01.2001
H	preference shares	none	2 085 323	2 085 323	contribution - BOS S.A. shares	02.01.2007	01.01.2006
I	preference shares	none	4 203 562	4 203 562	contribution - BOS S.A. shares.	02.01.2007	01.01.2006
Total number of shares			12 923 985				
Total equity				12 923 985			
One share nominal value =		1 PLN					

Changes on capital reserve and other reserve capital	Capital reserve	Other reserve capital
1 January 2007	274 818	28 576
additions	262 935	
disposals		(10 034)
31 December 2007	537 753	18 542
1 January 2006	1 526	38 285
additions		6 282
disposals		(15 991)
31 December 2006	1 526	28 576

Note 16

Retained earnings	31 December 2007	31 December 2006
Retained net profit	(1 941)	(1 941)
- including: corrections of fundamental errors		(1 990)
Net profit (loss) from the current year	14 630	13 056
Total retained earnings	12 689	11 115

Note 17

Long-term bank loans and other	31 December 2007	31 December 2006
Bank loans		43 689
Total long-term bank loans and other		43 689

Note 18

Long-term liabilities	31 December 2007	31 December 2006
Deposit on rental fee		
- including: related entities		
Other long-term liabilities		
Total long-term liabilities		

Note 19

Provisions	31 December 2007	31 December 2006
Provisions for employees' benefits	3 583	4 401
a) provision for pensions	43	73
b) provision for holiday equivalents	789	1 536
c) premium salary	2 752	2 792
Other provisions	94	135
a) provision for audit	90	124
b) other	4	11
Total provisions	3 677	4 536

Provisions for employees' benefits	31 December 2007	31 December 2006
Long-term	43	73
a) provision for pensions	43	73
Short-term	3 634	4 463
a) provision for pensions		
b) provision for holiday equivalents	789	1 537
c) premium salary	2 751	2 792
d) others	94	134
Total provisions for employees' benefits	3 677	4 536

Change of provisions for employees' benefits	31 December 2007	31 December 2006
Provision for pensions opening balance	73	57
Additions	33	18
Disposals	(63)	(2)
Provision for pensions closing balance	43	73
Provision for holiday equivalents opening balance	1 537	1 397
Additions	385	140
Disposals	(1 133)	
Provision for holiday equivalents closing balance	789	1 537
Premium salary opening balance	2 792	69
Additions	2 752	3 717
Disposals	(2 792)	(994)
Premium salary closing balance	2 752	2 792
Change of provisions for employees' benefits opening balance	4 402	1 523
Additions	3 169	3 875
Disposals	(3 988)	(996)
Change of provisions for employees' benefits closing balance	3 583	4 402

Note 20

Deferred tax income - provisions	31 December 2007	31 December 2006
Deferred tax income - provisions opening balance	680	359
a) posted to net result	680	359
b) posted to equity		
Additions	227	1 137
a) posted to net result	227	1 137
b) posted to equity		
Disposals	(463)	(816)
a) posted to net result	(463)	(816)
b) posted to equity		
Deferred tax income - provisions closing balance balance	444	680
a) posted to net result	444	680
b) posted to equity		

Provisions for deferred tax income, which grounds are temporary differences come from:	31 December 2007	31 December 2006
Deduction of discount from purchased bond	86	
Commission of long-term loans		
Differences between balance value of non-current assets and their tax value	351	
Others	7	
Deferred tax income - provisions closing balance balance	444	

Note 21

Short- term bank loans and others	31 December 2007	31 December 2006
Bank loans		11 043
Bonds		17 948
<i>including: related entities</i>		7 996
Total short- term bank loans and others		28 991

Note 22

Short-term liabilities	31 grudnia 2007	31 grudnia 2006
Trade payables	996	113 063
<i>including: related entities</i>	259	726
Taxation, subsidy and social security	2 291	5 772
Salary	939	2 177
Prepayments		45
<i>including: related entities</i>		
Other liabilities	3 936	1 551
<i>including: related entities</i>	64	16
Total short-term liabilities	8 162	122 608

Ageing of trade payables	31 grudnia 2007	31 grudnia 2006
Due within 1 month	516	75 981
Due between 1 and 3 months	123	27 099
Due between 3 and 6 months		
Due between 6 months and 1 year		
Due after 1 year		
Overdue trade debtors	357	9 984
Total trade payables	996	113 064

Ageing of overdue trade payables	31 grudnia 2007	31 grudnia 2006
1 month	310	9 769
between 1 and 3 months	25	202
between 3 and 6 months	14	
between 6 months and 1 year	6	
after 1 year	2	13
Overdue trade payables	357	9 984

Note 23

Deferred income	31 grudnia 2007	31 grudnia 2006
settlement of vehicles' damages	7	6
settlement of estates' damages		
penalties		
unrealised interest on tenant's deposits		
other		
Total deferred income	7	6

Note 24

NET SALES OF PRODUCTS (by type of products)	12 months ended 31 December 2007	12 months ended 31 December 2006
Sales of services	51 824	42 469
- including to related entities	28 655	3 180
Total net sales of products	51 824	42 469
- including to related entities	28 655	3 180

NET SALES OF PRODUCTS (by geographic area)	12 months ended 31 December 2007	12 months ended 31 December 2006
Domestic	51 824	42 469
- including to related entities	28 655	3 180
Export		
- including to related entities		
Total net sales of products	51 824	42 469
- including to related entities	28 655	3 180

Note 25

NET SALES OF MERCHANDISES AND MATERIALS (by type of activity)	12 months ended 31 December 2007	12 months ended 31 December 2006
Sales of merchandises and materials	291 726	1 099 829
- including to related entities	62 216	228 804
Sales of merchandises and materials	291 726	1 099 829
- including to related entities	62 216	228 804

NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)	12 months ended 31 December 2007	12 months ended 31 December 2006
Domestic	291 726	1 099 829
- including to related entities	62 216	228 804
Export		
- including to related entities		
Total net sales of merchandise and materials	291 726	1 099 829
- including to related entities	62 216	228 804

Note 26

NON OPERATING INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Profit from the disposal of non-financial fixed assets	73	112
Revaluation of assets value	272	
Other	294	470
Total non operating income	639	582

OTHER NON OPERATING INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Penalties	7	3
Compensation of vehicle damages	217	359
Compensation of fixed assets damages	6	37
Court proceedings costs	39	33
Other	25	38
Total other non operating income	294	470

Revaluation of non-financial fixed assets	12 months ended 31 December 2007	12 months ended 31 December 2006
Creating of write-offs - fixed assets		
Reversal of write-offs - fixed assets	149	
Creating of write-offs – receivables	(221)	
Reversal of write-offs – receivables	344	
Total revaluation of non-financial fixed assets	272	

Note 27

COST BY KIND	12 months ended 31 December 2006	12 months ended 31 December 2005
depreciation and amortisation	(5 272)	(8 501)
materials and energy	(6 503)	(18 548)
external services	(15 212)	(24 523)
payroll	(24 536)	(38 550)
social security and other employee benefits	(4 431)	(7 945)
taxes and charges	(952)	(1 495)
other costs:	(797)	(2 751)
Total cost by kind of expenditure	(57 703)	(102 314)
Sales costs	(21 725)	(79 121)
Overhead costs	(17 234)	(23 193)
Cost of products sold	(18 743)	
Cost of manufactured komputer software		

Payroll	12 months ended 31 December 2007	12 months ended 31 December 2006
salary	(24 536)	(38 550)
social security	(3 795)	(6 802)
company's social benefit fund	(256)	(543)
personel training	(214)	(145)
other	(167)	(455)
Total payroll	(28 967)	(46 495)

Note 28

NON OPERATING EXPENSES	12 months ended 31 December 2007	12 months ended 31 December 2006
Loss from the sale of non-financial fixed assets		
Revaluation of non-financial assets		(928)
Other non operating expenses	(300)	(676)
Total non operating expenses	(300)	(1 604)

Revaluation of non-financial assets	12 months ended 31 December 2007	12 months ended 31 December 2006
Creating of write-offs - fixed assets		(61)
Reversal of write-offs - fixed assets		
Creating of write-offs – receivables		(1 149)
Reversal of write-offs – receivables		282
Total revaluation of non-financial assets		(928)

Other non operating expenses	12 months ended 31 December 2007	12 months ended 31 December 2006
Donations	(9)	(17)
Vehicle damages	(232)	(257)
Fixed assets damages	(6)	(27)
Court proceedings costs	(46)	(46)
Transfer rights from rental		
Other	(7)	(329)
Total other non operating expenses	(300)	(676)

Note 29

FINANCIAL INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Interest	2 019	732
- including related entities	841	202
Other	23	
Total financial income	2 042	732

Interest	12 months ended 31 December 2007	12 months ended 31 December 2006
Loans granted	81	186
- including related entities	59	150
Interest on overdue receivables	373	510
- including related entities	45	19
Interest on debt securities	737	33
- including related entities	737	33
Other	828	3
- including related entities		
Total interest	2 019	732

OTHER FINANCIAL INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Other	23	
Total financial expenses	23	

Note 30

FINANCIAL EXPENSES	12 months ended 31 December 2007	12 months ended 31 December 2006
Interest	(2 041)	(2 463)
- including related entities	(279)	(300)
Loss on the disposal of investments	(575)	
Other financial expenses		(25)
Total financial expenses	(2 616)	2 488

Interest	12 months ended 31 December 2007	12 months ended 31 December 2006
Bank loan interest	(1 160)	(1 825)
Interest on overdue payables	(72)	(72)
- including related entities		
Bonds interest	(805)	(564)
- including related entities	(279)	(300)
Tresury interests	(4)	(2)
Other interest		
Total interest	(2 041)	(2 463)

Other financial expenses	12 months ended 31 December 2006	12 months ended 31 December 2005
Financial expenses of bank warranty		(25)
Exchange rate differences		
Total other financial expenses		(25)

Note 31

CORPORATE INCOME TAX	12 months ended 31 December 2006	12 months ended 31 December 2005
Gross profit	18 000	16 404
Non taxable revenues		
<u>financial incomes</u>	(901)	(247)
<u>non operating incomes</u>	(338)	(167)
Other taxable income		
Non taxable costs and losses		
<u>operating costs</u>	8 074	20 292
<u>financial expenses</u>	2	235
<u>other non operating expenses</u>	216	1 056

Additional taxable costs	(15 485)	(14 804)
Taxable revenue	9 907	22 937
Deductions – donations		11
Base of tax calculation	9 907	22 926
Tax amount 19%	1 882	4 356
CIT paid	1 882	4 356
Income Tax for the period	1 882	4 356

Note 32

DEFERRED CORPORATE INCOME TAX	12 months ended 31 December 2006	12 months ended 31 December 2005
Increase (decrease) from temporary differences from previous years	(1 487)	1 008
Decrease (increase) due to tax loss, tax relief or temporary difference that were not accounted for in previous periods		
Other deferred tax items		
Increase (decrease) from temporary differences – deferred income tax unconsolidated		
Exemptions		
Total deferred corporate income tax	(1 487)	1 008

Note 33

NET PROFIT PRE SHARE	12 months ended 31 December 2006	12 months ended 31 December 2005
Net profit	14 630	13 057
Quantity of shares – January – March	12 923 985	6 635 100
Quantity of shares – April	13 004 006	6 635 100
Quantity of shares – May – September	13 270 200	6 635 100
Quantity of shares – October	13 492 732	6 635 100
Quantity of shares – November	14 992 732	6 635 100
Quantity of shares – December	14 992 732	12 923 985
Number of shares - weight average	13 467 096	7 159 174
Net profit per share	1,09	1,82
Diluted net profit per share	1,09	1,82

Note 34

DIVIDEND

Dividend paid

In 2007 Emperia Holding SA paid to shareholders dividend for 2006 year in amount of 23 090 148 PLN (dividend per share 1,74 PLN)

Distribution of net profit:

Management Board of "Emperia Holding SA" proposes to distribute 2007 net profit in all amount 13 343 531,48 PLN for dividend.

Note 35

THE STRUCTURE OF CASH IN THE STATEMENT OF CASH FLOW	12 months ended 31 December 2007	12 months ended 31 December 2006
Cash in the cash desk	20	
- opening balance	2	1
- closing balance	20	2
Cash at bank	32 550	
- opening balance	52	114
- closing balance	32 550	52
Other cash	23	
- opening balance	2 763	245
- closing balance	23	2 764
Total cash		
- opening balance	2 817	360
- closing balance	32 593	2 818

Note 36

Classification of Company's activities by: operating, investing, financing in the cash flow statement:

I. Cash flow from operating activities includes:

- 1) Inflow from sales of merchandise, finished products and services
- 2) Inflow included in "other operating revenue" excluding revenue from the sale of fixed assets, which are disclosed in cash flow from investing activities.
- 3) Any expenses regarding costs of basic activity, such as: cost of merchandise sold, cost of finished products sold, selling costs, general overhead costs.
- 4) Expenses regarding costs included in "other operating expenses" excluding cost of fixed assets sold and cost of unplanned depreciation

II. Cash flow from investing activities includes:

- 1) Inflow from sales of:
 - fixed assets
 - shares and other financial fixed assets
 - short-term securities
- 2) Expenses regarding the purchase of:

- fixed assets
- shares and other financial fixed assets
- short-term securities
- 3) Inflow from payment of short and long term loans granted by the Company to other entities
as well as payment of interest on those loans
- 4) Expenses regarding the granting of long term loans to other entities
- 5) Inflow of dividends received
- 6) Interest received on bank deposits

III. Cash flow from financing activities includes:

- 1) Inflow of short and long term credits and loans received
- 2) Expenses regarding:
 - service of loans and credits received
 - payment of loans and credits
 - payment of interest on loans and credits received
- 3) Inflow from own shares issue
- 4) Expenses regarding costs of own shares issues
- 5) Expenses regarding payment of dividends and other payments to owners
- 6) Any inflow regarding "other financial revenue" except for interest on loans granted, interest on bank deposits and profit from sale of securities held for resale, which are disclosed in investing activities.
- 7) Any expenses regarding "other financial expenses" except for the loss on the sale of securities held for resale, which are disclosed in investing activities

Note 37

CHANGES IN CASH FLOW POSITIONS	12 months ended 31 December 2006	12 months ended 31 December 2005
Receivables	1 190	(23 405)
- change in receivables	1 190	(24 268)
- investment receivables correct		863
Short-term payables	6 237	9 833
- change in short-term payables	6 237	8 551
- loans and borrowings		
- change in short-term payables for fixed assets		(453)
- investment payables correct		1 736
- corporate income tax		
- financial payables correct		
- interest	(12 020)	9 579
- change in inventories	1 190	(23 405)

Lublin, May 2008

Management board of the company

2008-05-05	Artur Kawa	President of the management board signature
2008-05-05	Jarosław Wawerski	Vice - President of the management board signature
2008-05-05	Dariusz Kalinowski	Member of the management board - Financial Director signature
2008-05-05	Jacek Dudzik	Member of the management board - IT Director signature
2008-05-05	Renata Bronisz-Czyż	Member of the management board - Human Resources Director signature
2008-05-05	Jarosław Rudnicki	Member of the management board - Distribution Development Director signature
2008-05-05	Lesław Syguła	Member of the management board - Distribution Director signature
2008-05-05	Marek Wesołowski	Member of the management board - Retail Activity Director signature
2008-05-05	Grzegorz Wawerski	Member of the management board - Retail Development Director signature

Signature person responsible for keeping accounting records:

2008-05-05	Elżbieta Świniarska Economic Director signature
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