



CONSOLIDATED 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	4 479 562	1 406 728	1 186 073	360 783
II. Profit on operating activities	136 185	32 966	36 058	8 455
III. Profit (loss) before taxation	110 515	29 847	29 262	7 655
IV. Net profit (loss)	88 417	23 376	23 411	5 995
V. Net cash flow from operating activities	98 903	54 872	24 585	14 073
VI. Cash flow from investment activities	(138 040)	(55 478)	(34 946)	(14 228)
VII. Cash flow from financing activities	118 891	6 115	31 479	1 568
VIII. Total net cash flows	79 754	5 509	21 118	1 413
IX. Total assets	1 487 202	629 751	415 188	164 374
X. Liabilities and provisions for liabilities	797 880	272 625	222 747	71 159
XI. Long-term liabilities	145 088	75 595	40 505	19 731
XII. Short-term liabilities	652 792	197 030	182 242	51 428
XIII. Equity	689 322	357 126	192 441	93 215
XIV. Share capital	14 993	12 924	4 186	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	7 159 174	13 467 096	7 159 174
XVII. Net profit per ordinary share (in PLN / EUR)	6,57	3,27	1,74	0,84
XVIII. Diluted net profit per ordinary share (in PLN / EUR)	6,57	3,27	1,74	0,84
XIX. Book value per share (in PLN / EUR)	51,19	49,88	14,29	13,02
XX. Diluted book value per share (in PLN/ EUR)	51,19	49,88	14,29	13,02
XXI. Declared or paid dividend (in PLN/ EUR)	1,74	2,76	0,49	0,72

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		690 101	442 607
Property, plant, equipment and investments	1,2	435 856	177 488
Real estates	3	4 743	
Intangible assets	4,5	3 576	450
Goodwill	6	183 182	
Financial assets	7	32 765	255 956
Receivables and prepayments	8	13 866	4 057
Deferred tax assets	9	16 113	4 656
Total Current Assets		797 101	187 144
Inventory	10	344 121	94 921
Receivables and prepayments	11	349 254	74 046
Income tax receivables		3 962	20
Short-term securities	12	4	
Prepaid expenses	13	5 762	2 934
Cash and cash equivalents	14	92 407	12 653
Other financial assets	15	86	2 570
Fixed assets classified as held for sale	16	1 505	
Total Assets		1 487 202	629 751
Total Equity		689 322	357 126
Share capital	17	14 770	12 924
Share capital not registered	17	223	
Share premium		536 227	273 292
Capital reserve		22 353	7 497
Other reserve capital		46 837	44 668
Retained earnings	18	66 888	18 745
Total Equity capital assigned Stockholders from dominant company		687 298	357 126
Equity capital of the minority stockholders		2 024	
Total Long Term Liabilities		145 088	75 595
Bank loans, borrowings and bonds	19	129 610	72 216
Long-term liabilities	20	1 966	1 374
Provisions	21	3 050	122
Deferred revenues and accruals	22	10 462	1 883
Total Short Term Liabilities		652 792	197 030
Bank loans, borrowings and bonds	23	80 797	29 521
Short-term liabilities	24	545 557	155 482
Income tax liabilities		6 242	4 239
Provisions	21	19 044	7 498
Other accrued liabilities	25	1 152	290
Total Liabilities and Equity		1 487 202	629 751

Book value	689 322	357 126
Weighted average number of ordinary shares *	13 467 096	7 159 174
Book value per share (in PLN)	51,19	49,88

* 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		4 479 562	1 406 728
- including related entities		1 355	
Sales of products and services	26	143 094	70 450
Sales of goods and materials	27	4 336 468	1 336 278
Cost of sales		(3 791 522)	(1 189 784)
- including related entities		1320	
Cost of manufactured products sold		(37 313)	(15 764)
Cost of goods and materials sold		(3 754 209)	(1 174 020)
Gross profit (loss)		688 040	216 944
Other operating income	28	21 831	9 983
Selling costs	29	(488 445)	(154 396)
Overhead costs		(79 322)	(33 489)
Other operating expenses	30	(5 919)	(6 076)
Operating profit (loss)		136 185	32 966
Finance income	31	3 700	729
Finance costs	32	(29 370)	(3 848)
Profit (loss) before income tax		110 515	29 847
Income tax	33	(22 098)	(6 471)
Net profit		88 417	23 376

Net profit (loss) (annualised)	88 417	23 376
Weighted average number of ordinary shares *	13 467 096	7 159 174
Profit (loss) per ordinary share (in PLN)	6,57	3,27

* 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	Equity capital of the minority stockholders	Total equity
As at 1 January 2007	12 924	273 292	7 497	44 669		18 745		357 127
Change of accounting policy								
As at 1 January 2007 adjusted	12 924	273 292	7 497	44 669		18 745		357 127
Net profit (loss) for the period						88 417		88 417
Change in result of company's acquisitions							2 024	2 024
As a result of a PROLOGISTYKA Sp. z o.o. acquisition						(220)		(220)
Result of other merger						60		60
The issue of new shares	1 846	266 851						268 697
<i>The issue of new shares costs</i>		<i>(3 916)</i>						<i>(3 916)</i>
Share capital not registered	223							223
Distribution of profits			14 856	12 202		(27 058)		
Dividend for 2006				(10 034)		(13 056)		(23 090)
As at 31 December 2007	14 993	536 227	22 353	46 837		66 888	2 024	689 322
As at 1 January 2006	6 635	34 360	2 613	46 707		16 528		106 843
Change of accounting policy						23 376		23 376
As at 1 January 2006 adjusted	6 289	238 932						245 221
Net profit (loss) for the period						23 376		23 376
The issue of ner shares	6 289	238 932						245 221
Distribution of profits			4 884	13 953		(18 837)		
Dividend for 2005				(15 991)		(2 322)		(18 313)
As at 31 December 2006	12 924	273 292	7 497	44 669		18 745		357 127

5. Cash Flow

	12 months ended 31 December 2007	12 months ended 31 December 2006
Net profit (loss)	88 417	23 376
Adjustments provided by operating activities:	10 486	31 496
Depreciation	39 970	18 264
Foreign exchange gain (loss)	(255)	
Interest	13 058	3 423
Income tax	22 098	
Loss (profit) on investments	(4 978)	119
Change in provisions	2 677	5 275
Change in inventories	(43 566)	5 835
Change in receivables	(28 188)	(44 509)
Change in deferred revenues and accruals	(1 498)	(1 709)
Change in payables	44 086	44 383
Other adjustments	(997)	415
Income tax paid	(31 921)	
Net cash flow from operations	98 903	54 872
Revenues	80 954	1 740
Disposal of tangible and intangible fixe assets	26 670	1 398
Disposal of financial assets	7 020	74
Interest received	726	168
Repayment of given loans	4 143	
Cash from Company's acquisition	40 911	
Other revenues	1 484	100
Expenses	(218 994)	(57 218)
Purchase of tangible and intangible fixe assets	(132 692)	(43 658)
Purchase of real estates	(5)	
Purchase of dependent subjects	(81 205)	
Purchase of financial assets	(2 844)	(13 560)
Given loans	(1 767)	
Other	(481)	
Net cash flow from investment activities	(138 040)	(55 478)
Revenues	494 537	69 172
Loans and borrowings acquired	202 093	43 749
Income from financial assets	60 964	25 423
Issue of shares	228 688	
Other revenues	2 792	
Expenses	(375 646)	(63 057)
Repayment of loans and borrowings	(281 065)	(20 399)
Repayment of financial assets	(56 071)	(21 300)
Repayment of financial lease	(909)	
Interest paid	(14 191)	(3 364)
Dividends paid	(23 409)	(17 994)

Other	(1)	
Net cash flow from financial activities	118 891	6 115
Total net Cash flow	79 754	5 509
Cash and Cash equivalents opening balance	12 653	7 144
Cash and Cash equivalents closing balance	92 407	12 653

6. Other Information and explanatory notes

Note 1

TANGIBLE FIXED ASSETS	31 December 2007	31 December 2006
Freehold land	46 342	12 895
-right for perpetual usufruct	13 345	3 472
Buildings and constructions	245 783	109 389
Equipment and machines	53 360	23 353
Vehicles	36 615	15 146
Other assets	25 062	11 393
Construction in progress	28 694	5 040
Prepayments for construction in progress		272
Total tangible fixed assets	435 856	177 488

Construction in progress	31 December 2007	31 December 2006
Freehold land	427	509
-right for perpetual usufruct	427	509
Buildings and constructions	22 716	3 197
Equipment and machines	2 427	984
Vehicles	163	
Others	2 961	350
Total construction in progress	28 694	5 040

Tangible fixed assets which are use on the basis of rental, tenancy (except for balance), operating lease	31 December 2007	31 December 2006
Freehold land		
-right for perpetual usufruct		
Buildings and constructions	634 456	143 546
Equipment and machines	1 705	
Vehicles	2 040	
Others	338	116
Total	638 539	143 662

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	14 122	126 592	41 948	30 402	23 069	5 040	241 173
b) additions:	36 454	184 257	71 793	57 470	34 511	153 998	538 483
- purchases	214	15 299	8 290	10 291	4 344	129 665	168 103
- acquisition of entities	19 539	126 964	47 201	29 281	15 787	24 300	263 072
- transfers from construction in progress	16 701	26 983	14 091	4 367	9 935		72 077
- donations			15	2	1		18
- other		15 011	2 196	13 529	4 444	33	35 213
c) disposals:	(1 871)	(19 318)	(17 182)	(29 037)	(8 981)	(130 344)	(206 733)
- sale	(1 398)	(8 725)	(4 556)	(4 652)	(1 635)	(613)	(21 579)
- liquidation		(1 537)	(2 345)	(42)	(665)		(4 589)
- split up			(11)		(2)		(13)
- transfers - tangible fixed assets						(129 608)	(129 608)
- others – apport	(473)	(9 056)	(10 270)	(24 343)	(6 679)	(123)	(50 944)
d) closing balance of fixed assets, gross value	48 705	291 531	96 559	58 835	48 599	28 694	572 923
e) opening balance of cumulative depreciation	1 227	16 288	18 477	15 256	11 676	-	62 924
f) depreciation additions:	1 181	33 731	37 206	24 718	18 316	-	115 152
- part payment	171	10 711	10 184	10 556	6 405	-	38 027
- acquisition of entities	1 010	23 020	27 022	14 162	11 911	-	77 125
g) depreciation disposals:	(45)	(4 796)	(12 949)	(17 754)	(6 593)	-	(42 137)
- sales	(21)	(873)	(3 628)	(3 741)	(1 983)	-	(10 246)
- liquidation		(1 124)	(2 123)	(36)	(554)	-	(3 837)
- split up							-
- relocation							-
- others – apport	(24)	(2 799)	(7 198)	(13 977)	(4 056)	-	(28 054)
h) closing balance of cumulative depreciation	2 363	45 223	42 734	22 220	23 399	-	135 939
i) opening balances of value adjustments		915	118	-	-		1 033
- additions		392	131		22		545
- acquisition of entities		95	922	6	226		1 249
- disposals		(878)	(705)	(6)	(110)		(1 699)
j) closing balances of value adjustments		524	466	-	138	-	1 128
k) closing balance of fixed assets, net value	46 342	245 784	53 359	36 615	25 062	28 694	435 856

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	7 253	104 255	37 118	29 770	19 698		198 094
b) additions:	6 869	24 342	8 049	3 396	3 744	5 040	51 440
- purchases	6 869	5 987	1 991	3 396	538	5 040	23 821
- transfers from construction in progress		18 355	6 054		3 206		27 615
- transfers from warehouse							
- donations			4				4
c) disposals:		(2 005)	(3 219)	(2 764)	(373)		(8 361)
- sale		(815)	(351)	(2 497)			(3 663)
- liquidation		(1 186)	(1 644)	(209)	(216)		(3 255)
- split up							
- relocation							
- stealing			(20)	(58)			(78)
- others		(4)	(1 204)		(157)		(1 365)
d) closing balance of fixed assets, gross value	14 122	126 592	41 948	30 402	23 069	5 040	241 173
e) opening balance of cumulative depreciation	1 137	11 610	15 603	12 783	8 863		49 996
f) depreciation additions:	90	5 157	4 813	4 592	3 064		17 716
- part payment	90	5 157	4 813	4 592	3 064		17 716
g) depreciation disposals:		(479)	(1 939)	(2 119)	(251)		(4 788)
- sales		(176)	(132)	(1 781)			(2 089)
- liquidation		(303)	(1 624)	(291)	(210)		(2 428)
- split up							
- stealing			(12)	(47)			(59)
- others - apport			(171)		(41)		(212)
h) closing balance of cumulative depreciation	1 227	16 288	18 477	15 256	11 676		62 924
i) opening balances of value adjustments		711	120				831
- additions		327	21				348
- disposals		(123)	(23)				(146)
j) closing balances of value adjustments		915	118				1 033
k) closing balance of fixed assets, net value	12 895	109 389	23 353	15 146	11 393	5 040	177 216

Note 3

Real Estate	31 December 2007	31 December 2006
Opening balance, gross value		
Additions	4 820	
Disposals		
Closing balance, gross value	4 820	
Opening balance of cumulative depreciation		
Depreciation additions	77	
Depreciation disposals		
Closing balance of cumulative depreciation	77	
Total Net Real Estate	4 743	

Note 4

INTANGIBLE FIXED ASSETS	31 December 2007	31 December 2006
Research and development expenditure		
Goodwill		
Concessions, patents, licenses and similar assets	2 417	347
<i>other intangible assets</i>	92	103
Intangible fixed assets don't engage to use	1 067	
Total intangible fixed assets	3 576	450

Note 5– year 2007

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	research and development	goodwill	concessions, patents, licences and similar assets		other intangible fixed assets	Intangible fixed assets don't engage to use	Total intangible fixed assets
				computer software			
a) gross value at the beginning of the period		1 644	3 731	3 573	277		5 652
b) additions:			8 792	6 223	1 534	1 762	12 088
- purchases			2 581	598		1 692	4 273
- purchase as a result of merger			5 962	5 612	1 534	70	7 566
- transfers from investments			369	13			369
- other			(120)				(120)
c) disposals			(1 368)	(987)	(77)	(695)	(2 140)
- sale			(51)	(30)	(7)		(58)
- reception to intangible fixe assets						(695)	(695)
- others		(1 644)	(1 317)	(957)	(70)		(3 031)
d) gross value at end of the period			11 155	8 809	1 734	1 067	13 956
e) opening balance of cumulative depreciation		1 644	3 384	3 233	174		5 202
f) depreciation additions			6 169	5 286	1 539		7 708
- planned			1 763	1 263	180		1 943
- acquisition of entities			4 406	4 023	1 359		5 765
g) depreciation disposals		(1 644)	(983)	(482)	(71)		(2 698)
- sales			(50)	(30)			(50)
- others – aport		(1 644)	(933)	(452)	(71)		(2 648)
h) closing balance of cumulative depreciation			8 570	8 037	1 642		10 212
i) opening balances of value adjustments							
- additions			41	41			41
- acquisition of entities			632	632			632
- disposals			(505)	(505)			(505)
j) closing balances of value adjustments			168	168			168
k) closing balance of fixed assets, net value			2 417	604	92	1 067	3 576

Note 5– year 2006

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	research and development	goodwill	concessions, patents, licences and similar assets		other intangible fixed assets	Total intangible fixed assets
				computer software		
a) gross value at the beginning of the period		1 644	3 395	3 237	277	5 316
b) additions:			337	337		337
- purchases			225	225		225
- transfers from investments			112	112		112
c) disposals			(1)	(1)		(1)
- sale			(1)	(1)		(1)
d) gross value at end of the period		1 644	3 731	3 573	277	5 652
e) opening balance of cumulative depreciation		1 644	2 871	2 741	146	4 661
f) depreciation additions			513	492	28	541
- planned			513	492	28	541
g) depreciation disposals						
- sales						
h) closing balance of cumulative depreciation		1 644	3 384	3 233	174	5 202
i) opening balances of value adjustments						
- additions						
- disposals						
j) closing balances of value adjustments						
k) closing balance of fixed assets, net value			347	340	103	450

Note 6

Goodwill	31 December 2007	31 December 2006
Opening balance, gross value		
Additional good will –acquisitions	186 005	
Other	(2 823)	
Closing balance, gross value	183 182	

Note 7

FINANCIAL ASSETS	31 December 2007	31 December 2006
- shares	29 570	
- including related entities	28 997	
- stock	1 528	255 747
- including related entities	1 528	
- loans granted	1 667	209
- including related entities	182	
Total financial assets	32 765	255 956

Long-term financial assets in related entities	Share	Stock	Loans	Other financial assets	Total long-term financial assets in related entities
A financial assets value at the beginning of the period		255 748			255 748
b) additions	28 997	1 528	209		30 734
- purchases	27 398	1 528			237 635
- loans granted			209		209
- purchases as a result of merger	1 230				1 230
- apport	369				369
- others			22		22
c) disposals		(255 748)	(27)		(255 775)
- sale		(255 748)			(255 748)
- liquidation			(27)		(27)
- others					
d) A financial assets value at the end of the period	28 997	1 528	182		30 707

Note 8

Long-term receivables and prepaid expenses	31 December 2007	31 December 2006
Long-term receivables	4 769	1 959
a) deposit on rental fee	3 936	1 685
- including related entities		
b) other long receivables	833	275
- including related entities		
Other prepaid expenses	9 097	2 098
Long-term receivables and other prepaid expenses	13 866	4 057

Other prepaid expenses	31 December 2007	31 December 2006
Marketing services	11	95
Cost of manufactured komputer software		
Concessions	9	
Rental fee	4 531	
Other Rent	4 479	1 992
Others - subscripcion	67	11
Other prepaid expenses	9 097	2 098

Note 9

Deferred tax assets	31 December 2007	31 December 2006
Deferred tax asset at beginning of period	4 656	2 641
a) posted to net result	4 234	2 259
b) posted to equity	422	382
Additions	16 113	3 034
a) posted to net result	6 750	2 994
b) posted to equity	73	40
c) acquisition of entities	9 290	
Disposals	(4 656)	(1 020)
a) posted to net result	(4 656)	(1 019)
b) posted to equity	0	
Total deferred tax asset at the end of the period, including	16 113	4 646
a) posted to net result	6750	4 234
b) posted to equity	73	422
c) acquisition of entities	9 290	

Deferred tax assets which grounds are temporary differences come from:	31 December 2007	31 December 2006
Trade debtors	1 776	
Liabilities for salaries	5 440	1 625
Severance pay	525	23
Holiday equivalents with surcharges	1 814	560
Provision for premium salary for the board	946	829
Inventory	2 478	1 009
Others	3 134	610
Deferred tax assets at the end of the period	16 113	4 656

Note 10

Inventory	31 December 2007	31 December 2006
Materiale	7 705	6 158
Merchandises	349 446	93 003
Finished products	10	
Semi-products and work in progress		
Prepayments for inventory		1 069
Revaluation of inventory	(13 040)	(5 309)
Total inventory	344 121	94 921

Revaluation of inventory	31 December 2007	31 December 2006
Revaluation of inventory – opening balance	(5 309)	(2 457)
Creating of write-offs – inventory	(22 203)	(2 852)
Reversal of write-offs – inventory	14 472	
Revaluation of inventory – closing balance	(13 040)	(5 309)

Pledges	31 December 2007	31 December 2006
Pledges:	61 347	
- bank loans – goods	61 347	
Repossession:	115 338	83 939
- bank loans – goods	68 262	82 139
- warranty	47 076	1 800
Total pledges	176 685	83 939

Note 11

Receivables	31 December 2007	31 December 2006
Trade debtors	328 392	71 724
<i>including: related entities</i>	507	
Taxation, subsidy and social security debtors	25 340	6 037
Subject to legal proceedings	12 464	194
Payment on delivery	612	
Other receivables	12 024	2 809
<i>including: related entities</i>	2	
Impairment loss for bad debts	(29 577)	(6 718)
Total receivables	349 255	74 046

Change in impairment losses for current bad debts	31 December 2007	31 December 2006
Opening balance - at the beginning of the year	(6 718)	(5 687)
Additions	(7 340)	(1 556)
Disposals	10 255	525
Closing balance - at the end of the year	(29 577)	(6 718)

Ageing of trade debtors	31 December 2007	31 December 2006
Due within 1 month	177 820	46 451
Due between 1 and 3 months	25 457	2 977
Due between 3 and 6 months	279	
Due between 6 months and 1 year	234	
Due after 1 year	2	
Overdue trade debtors	124 600	22 296
Impairment loss for trade debtors	(16 947)	(6 401)
Total net trade debtors	311 445	65 323

Ageing of overdue trade debtors	31 December 2007	31 December 2006
1 month	82 796	13 976
between 1 and 3 months	21 243	2 211
between 3 and 6 months	5 272	298
between 6 months and 1 year	1 406	500
after 1 year	13 883	5 311

Impairment loss for trade debtors	(16 619)	(6 401)
Total net overdue trade debtors	107 981	15 895

Note 11

Short term financial assets	31 December 2007	31 December 2006
- debt securities	4	
<i>including: related entities</i>	4	
Total short term financial assets	4	

Note 13

Short term prepaid expenses	31 December 2007	31 December 2006
Marketing services	171	268
Insurance	1 190	693
Technical assistance	151	112
Road permissions	40	25
Advertisements	15	6
Electricity	18	3
Rent	1 990	1 286
Subscription	60	
Email box costs	2	5
Costs to re-invoice	478	147
Costs of the next year		196
Other	1 647	193
Total short term prepaid expenses	5 762	2 934

Note 14

Cash and cash equivalents	31 December 2007	31 December 2006
Cash at cash desk	4 836	2 509
Cash at bank	73 426	444
Other	14 145	9 700
Total cash and cash equivalents	92 407	12 653

Note 15

Other short term financial assets	31 December 2007	31 December 2006
Deposit		
Loans	86	2 570
<i>including: related entities</i>		
Total other short term financial assets	86	2 570

Note 16

Fixed assets classified as held for sale	31 December 2007	31 December 2006
Tangible fixed assets	1 505	
Total fixed assets classified as held for sale	1 505	

Note 17 - 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 17 -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	7 497	44 669
additions	14 856	12 202
disposals		(10 034)
31 December 2007	22 353	46 837
1 January 2006	2 613	46 707
additions	4 884	13 953
disposals		(15 991)
31 December 2006	7 497	44 669

Note 18

Retained earnings	31 December 2007	31 December 2006
Retained net profit	18 745	(4 631)
- including: corrections of fundamental errors		(2 161)
Distribution of profits	(27 058)	
Dividend	(13 056)	
Settlement of non-consolidated acquisition	(160)	
Net profit (loss) from the current year	88 417	23 376
Total retained earnings	66 888	18 745

Note 19

Long-term bank loans and other	31 December 2007	31 December 2006
Bank loans	124 414	72 216
Loans	421	
Financial lease	4 775	
Total long-term bank loans and other	129 610	72 216

Note 20

Long-term liabilities	31 December 2007	31 December 2006
Deposit on rental fee	1 946	1 374
- including: related entities		
Other long-term liabilities	20	
Total long-term liabilities	1 966	1 374

Note 21

Provisions	31 December 2007	31 December 2006
Provisions for employees' benefits	15 971	7 429
a) provision for pensions	1 231	122
b) provision for holiday equivalents	9 549	2 945
c) premium salary	5 191	4 362
Other provisions	6 123	191
a) provision for audit	590	180
b) other	5 533	11
Total provisions	22 094	7 620

Provisions for employees' benefits	31 December 2007	31 December 2006
Long-term	3 050	122
a) provision for pensions	1 179	122
Short-term	19 044	7 498
a) provision for pensions	52	
b) provision for holiday equivalents	9 549	2 945
c) premium salary	5 191	4 362
d) others	4 252	191
Total provisions for employees' benefits	22 094	7 620

Change of provisions for employees' benefits	31 December 2007	31 December 2006
Provision for pensions opening balance	122	96
Additions	522	31
Acquisition of entities	890	
Disposals	(303)	(5)
Provision for pensions closing balance	1 231	122
Provision for holiday equivalents opening balance	2 945	2 483
Additions	4 187	607
Acquisition of entities	4 762	
Disposals	(2 345)	(145)
Provision for holiday equivalents closing balance	9 549	2 945
Premium salary opening balance	4 362	188
Additions	5 191	5 287
Acquisition of entities	58	
Disposals	(4 420)	(1 113)
Premium salary closing balance	5 191	4 362
Change of provisions for employees' benefits opening balance	7 429	2 767
Additions	9 900	5 925
Acquisition of entities	5 710	
Disposals	(7 068)	(1 263)
Change of provisions for employees' benefits closing balance	15 971	7 429

Note 22

Deferred tax income - provisions	31 December 2007	31 December 2006
Deferred tax income - provisions opening balance	1 883	1 391
a) posted to net result	1 883	1 391
b) posted to equity		
c) acquisition of entities		
Additions	10 462	4 439
a) posted to net result	860	4 439
b) posted to equity	48	
c) acquisition of entities	9 554	
Disposals	(1 883)	(3 947)
a) posted to net result	(1 883)	(3 947)
b) posted to equity		
c) acquisition of entities		
Deferred tax income - provisions closing balance balance	10 462	1 883
a) posted to net result	860	1 883
b) posted to equity	48	
c) acquisition of entities	9 554	

Provisions for deferred tax income, which grounds are temporary differences come from:	31 December 2007	31 December 2006
Deduction of discount from purchased bond	87	6
Commission of long-term loans	39	22
Differences between balance value of non-current assets and their tax value	8 451	789
Others	1 885	1 066
Deferred tax income - provisions closing balance balance	10 462	1 883

Note 23

Short- term bank loans and others	31 December 2007	31 December 2006
Bank loans	57 632	19 569
Bonds	16 776	9 952
<i>including: related entities</i>	16 776	
Financial leasing	1 960	
Valuation of other financial instruments	4 429	
Total short- term bank loans and others	80 797	29 521

Note 24

Short-term liabilities	31 grudnia 2007	31 grudnia 2006
Trade payables	483 596	135 629
<i>including: related entities</i>	3 749	
Taxation, subsidy and social security	26 298	9 554
Salary	15 442	4 527
Prepayments	141	45
Other liabilities	20 080	5 727
<i>including: related entities</i>	3 000	
Total short-term liabilities	545 557	155 482

Ageing of trade payables	31 grudnia 2007	31 grudnia 2006
Due within 1 month	321 953	88 657
Due between 1 and 3 months	99 860	35 203
Due between 3 and 6 months	73	
Due between 6 months and 1 year	130	
Due after 1 year	311	
Overdue trade debtors	61 269	11 769
Total trade payables	483 596	135 629

Ageing of overdue trade payables	31 grudnia 2007	31 grudnia 2006
1 month	57 674	11 376
between 1 and 3 months	2 924	375
between 3 and 6 months	470	2
between 6 months and 1 year	14	3
after 1 year	187	13
Overdue trade payables	61 269	11 769

Note 25

Deferred income	31 grudnia 2007	31 grudnia 2006
settlement of vehicles' damages	33	27
settlement of estates' damages	19	225
Penalties	21	25
unrealised interest on tenant's deposits	15	12
other	1 064	1
Total deferred income	1 152	290

Note 26

NET SALES OF PRODUCTS (by type of products)	12 months ended 31 December 2007	12 months ended 31 December 2006
Sales of services	143 094	70 450
- including to related entities		
Total net sales of products	143 094	70 450

- including to related entities

NET SALES OF PRODUCTS (by geographic area)	12 months ended 31 December 2007	12 months ended 31 December 2006
Domestic	140 907	70 171
- including to related entities		
Export	2 187	279
- including to related entities		
Total net sales of products	143 094	70 450

- including to related entities

Note 27

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	4 336 468	1 336 278
- including to related entities	1 355	
Sales of merchandises and materials	4 336 468	1 336 278
- including to related entities	1 355	

NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)	12 months ended 31 December 2007	12 months ended 31 December 2006
Domestic	4 205 640	1 336 278
- including to related entities	1 355	
Export	130 828	
- including to related entities		
Total net sales of merchandise and materials	4 336 468	1 336 278
- including to related entities	1 355	

Note 28

NON OPERATING INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Profit from the disposal of non-financial fixed assets	11 956	91
Revaluation of assets value	1 890	
Other	7 985	9 892
Total non operating income	21 831	9 983

Revaluation of non-financial assets	12 months ended 31 December 2007	12 months ended 31 December 2006
Creating of write-offs - fixed assets	(277)	
Reversal of write-offs - fixed assets	1466	
Creating of write-offs – receivables	(635)	
Reversal of write-offs – receivables	1 296	
Total revaluation of non-financial assets	1 850	

OTHER NON OPERATING INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Penalties	159	
Compensation of vehicle damages	1 240	575
Compensation of fixed assets damages	496	126
Court proceedings costs	328	38
Other	5 762	9 153
Total other non operating income	7 985	9 892

Note 29

COST BY KIND	12 months ended 31 December 2006	12 months ended 31 December 2005
depreciation and amortisation	(39 970)	(18 409)
materials and energy	(88 248)	(37 556)
external services	(185 554)	(47 295)
payroll	(222 452)	(75 779)
social security and other employee benefits	(50 228)	(16 023)
taxes and charges	(11 910)	(4 251)
other costs:	(8 799)	(4 336)
Total cost by kind of expenditure	(607 161)	(203 649)
Sales costs	(488 445)	(154 396)
Overhead costs	(79 322)	(33 489)
Cost of products sold	(37 313)	(15 764)
Cost of manufactured computer software	(2 081)	

Payroll	12 months ended 31 December 2007	12 months ended 31 December 2006
salary	(222 452)	(75 779)
social security	(40 188)	(13 389)
company's social benefit fund	(4 539)	(1 085)
personel training	(1 980)	(428)
other	(3 521)	(1 121)
Total payroll	(272 680)	(91 802)

Note 30

NON OPERATING EXPENSES	12 months ended 31 December 2007	12 months ended 31 December 2006
Loss from the sale of non-financial fixed assets	(73)	(362)
Revaluation of non-financial assets	(417)	(1 264)
Other non operating expenses	(5 429)	(4 450)
Total non operating expenses	(5 919)	(6 076)

Revaluation of non-financial assets	12 months ended 31 December 2007	12 months ended 31 December 2006
Creating of write-offs - fixed assets	(328)	(259)
Reversal of write-offs - fixed assets	759	146
Creating of write-offs – receivables	(2 474)	(1 596)
Reversal of write-offs – receivables	1 626	445
Total revaluation of non-financial assets	(417)	(1 264)

Other non operating expenses	12 months ended 31 December 2007	12 months ended 31 December 2006
Donations	(759)	(26)
Vehicle damages	(844)	(457)
Fixed assets damages	(267)	(327)
Court proceedings costs	(339)	(69)
Transfer rights from rental		(3 199)
Other	(3 220)	(372)
Total other non operating expenses	(5 429)	(4 450)

Note 31

FINANCIAL INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Interest	2 045	729
- including related entities	(11)	
Profit on investments disposal	400	
Other financial income	1 255	
Total financial income	3 700	729

Interest	12 months ended 31 December 2007	12 months ended 31 December 2006
Loans granted	46	36
- including related entities	(12)	
Interest on overdue receivables	804	530
- including related entities	1	
Interest on debt securities		
- including related entities		
Other	1 195	163
- including related entities		
Total interest	2 045	729

OTHER FINANCIAL INCOME	12 months ended 31 December 2007	12 months ended 31 December 2006
Foreign exchange gain (profit)	680	
Other	575	
Total financial expenses	1 255	

Note 32

FINANCIAL EXPENSES	12 months ended 31 December 2007	12 months ended 31 December 2006
Interest	(14 534)	(3 765)
- including related entities	(45)	
Loss on the disposal of investments	(4 130)	
Other financial expenses	(10 706)	(83)
Total financial expenses	(29 370)	(3 848)

Interest	12 months ended 31 December 2007	12 months ended 31 December 2006
Bank loan interest	(13 030)	(3 417)
Interest on financial lease - including related entities	(612)	(76)
Interest on overdue payables - including related entities	(108)	
	(6)	
Bonds interest - including related entities	(580)	(264)
	(44)	
Tresury interests	(127)	(7)
Other interest	(77)	(1)
Total interest	(14 534)	(3 765)

Other financial expenses	12 months ended 31 December 2006	12 months ended 31 December 2005
Financial expenses of bank warranty	(76)	(77)
Exchange rate differences	(17)	(6)
Revaluation of financial assets	(4 739)	
Goodwill as a result of Rexpol Sp. z o.o. liquidation	(2 823)	
Financial expenses related to acquisition	(354)	
Other	(2 697)	
Total other financial expenses	(10 706)	(83)

Note 33

CORPORATE INCOME TAX	12 months ended 31 December 2006	12 months ended 31 December 2005
Gross profit	112 173	32 845
Non taxable revenues		
<u>financial incomes</u>	(34 470)	(1 177)
<u>non operating incomes</u>	(1 366)	(112)
	(33 104)	(1 065)
Other taxable income	1 754	39
Non taxable costs and losses		
<u>operating costs</u>	120 699	40 007
<u>financial expenses</u>	77 027	37 308
<u>other non operating expenses</u>	12 804	345
	30 868	2 354
Additional taxable costs	(65 367)	(29 845)
Taxable revenue	134 789	41 869
Deductions – donations	(2 171)	(11)
Base of tax calculation	132 618	41 858
Tax amount 19%	(25 197)	(7 953)

CIT paid	(25 215)	(7 953)
Income Tax for the period	(25 215)	(7 953)

Note 34

DEFERRED CORPORATE INCOME TAX	12 months ended 31 December 2006	12 months ended 31 December 2005
Increase (decrease) from temporary differences from previous years	2 854	(1 534)
Decrease (increase) due to tax loss, tax relief or temporary difference that were not accounted for in previous periods		131
Other deferred tax items		(80)
Increase (decrease) from temporary differences – deferred inconel tax un consolid. Exemptions	2 63	1
Total deferred corporate income tax	3 117	(1 482)

Note 35

NET PROFIT PRE SHARE	12 months ended 31 December 2006	12 months ended 31 December 2005
Net profit	88 417	23 376
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 – Debember	14 992 732	12 923 985
Number of shares - weight average	13 467 096	7 159 174
Net profit per share	6,57	3,27
Diluted net profit per share	6,57	3,27

Note 36

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 37

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		
- opening balance	2 509	1 344
- closing balance	4 836	2 509
Cash at bank		
- opening balance	444	648
- closing balance	73 426	444
Other cash		
- opening balance	9 700	5 152
- closing balance	14 145	9 700
Total cash		
- opening balance	12 653	7 144
- closing balance	92 407	12 653

Note 38

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

7. Selected financial data by segments

In Emperia Group following segments can be separated:

- 1 Wholesale – Emperia Holding S.A., BOS S.A., DLS S.A., Sygel-Jool Spółka z o.o., Express Podlaski Spółka z o.o. DEF Spółka z o.o., Arsenal Spółka z o.o., Eldorado Spółka z o.o.
- 2 Retail - Stokrotka Sp. z o.o., Jaskółka Spółka z o.o., Lewiatan Podlasie Spółka z o.o., Rexpol Spółka z o.o. w likwidacji, Milea Spółka z o.o. (dawniej Infoza Spółka z o.o.), Maro Markety Spółka z o.o., Centrum Spółka z o.o., Społem Tychy Spółka z o.o. oraz Euro Sklep S.A.
- 3 Other – IT services, developer services, franchise services

At 31 December 2007	Wholesale	Retail	Other	Consolidation exemptions	Total
Sale	3 936 460	1 076 968	34 979	568 845	4 479 562
Sale (external customers)	3 394 061	1 070 049	15 452		4 479 562
Sale (internal customers)	542 399	6 919	19 527	568 845	
Costs	(3 832 536)	(1 066 572)	(29 509)	(569 328)	(4 359 289)
Costs (external customers)	(3 289 877)	(1 059 647)	(9 766)		(4 359 289)
Costs (internal customers)	(542 659)	(6 925)	(19 743)	(569 328)	
Result on other operating activity	1 311	14 552	49		15 912
Result on financial activity	(20 872)	(3 321)	(1 476)		(25 669)
Gross profit	84 623	21 633	4 259		110 515
Income tax	(16 632)	(4 559)	(907)		(22 098)
Net profit	67 991	17 074	3 352		88 417

At 31 December 2007	Wholesale	Retail	Other	Consolidation exemptions	Total
Assets	935 882	265 872	102 226	183 182	1 487 202
Equity&liabilities	1 276 967	150 813	59 422		1 487 202
At 31 December 2007	Wholesale	Retail	Other	Consolidation exemptions	Total
Capital expenditures	(50 785)	(51 221)	(30 686)		(132 692)
Depreciation	(21 421)	(15 976)	(2 573)		(39 970)

At 31 December 2006	Wholesale	Retail	Other	Consolidation exemptions	Total
Sale	1 142 297	482 792	27 673	246 034	1 406 728
Sale (external customers)	907 133	479 985	19 609		1 406 727
Sale (internal customers)	235 164	2 807	8 064	246 034	
Costs	1 123 115	474 603	26 061	246 111	1 377 668
Costs (external customers)	889 015	469 229	19 424		1 377 668
Costs (internal customers)	234 100	5 374	6 637	246 111	
Result on other operating activity	-1 021	5 070	-144		3 905
Result on financial activity	-1 614	-684	-819		-3 117
Gross profit	15 483	15 142	-778		29 847
Income tax	3 386	2 800	284	-1	6 471
Net profit	12 097	12 342	-1 062	1	23 376

At 31 December 2006	Wholesale	Retail	Other	Total
Assets	450 012	117 465	62 274	629 751
Equity&liabilies	513 928	77 406	38 417	629 751
At 31 December 2006	Wholesale	Retail	Other	Total
Capital expenditures	8 155	21 381	14 122	43 658
Depreciation	8 547	7 505	2 212	18 264

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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