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Emperia Holding S.A.
ul. Melgiewska 7-9
20-952 Lublin

Audit Opinion and Report
on the consolidated financial statements
for the period from 1 January to 31 December 2008

The opinion consists of 3 pages.
The report consists of 19 pages.

BDO International
621 biur
w 110 krajach świata

Biura BDO w Polsce
Warszawa
Katowice
Poznań
Wrocław

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Kapitał zakładowy: 500.000 PLN

**Audit Opinion
for the Shareholders and Supervisory Board
of the Emperia Holding S.A. Group**

We have audited the accompanying consolidated financial statements of the Emperia Holding S.A. Group (hereinafter referred to as "the Group"), where the holding company is Emperia Holding S.A. (hereinafter referred to as "the holding company") with its registered office in Lublin, ul. Mełgiewska 7-9, consisting of:

- the consolidated balance sheet prepared as at 31 December 2008, showing total assets and liabilities of **1 725 268 thousand zł**,
- the consolidated profit and loss account for the period from 1 January 2008 to 31 December 2008, showing a net profit of **59 206 thousand zł**,
- the statement of changes in consolidated shareholders' equity for the period from 1 January 2008 to 31 December 2008, showing an increase in shareholders' equity of **55 761 thousand zł**,
- the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a net cash decrease of **42 384 thousand zł**,
- introduction and notes to the consolidated financial statements.

The holding company's Management Board is responsible for the preparation of the consolidated financial statements and the Directors' Report on the Group's activities.

Our responsibility was to audit the consolidated financial statements and to express an opinion whether they are free of material misstatements.

We conducted our audit in accordance with the following regulations applicable on the territory of the Republic of Poland:

1. Chapter 7 of the Accounting Act dated 29 September 1994 (2002 Journal of Laws No. 76, item 694 with subsequent amendments), and
2. professional auditing standards issued by the Polish National Chamber of Certified Auditors.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion the audited consolidated financial statements consisting of financial data and explanations:


- give a true and fair view of the Group's financial position as at 31 December 2008, as well as of its financial result for the period from 1 January 2008 to 31 December 2008,
- have been prepared correctly in all material respects, in accordance with the accounting regulations arising out of the European Union approved International Financial Reporting Standards, and in issues not regulated by these Standards – in accordance with the requirements of the Accounting Act and the related regulatory provisions,
- are consistent with the laws and regulations binding the Group in Poland.

The Directors Report on the Group's activities includes all information required by article 49 point 2 of the Accounting Act, is consistent with the provisions of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259), and the financial data contained therein are consistent with the audited consolidated financial statements.

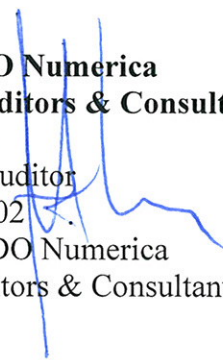
Warsaw, 30 April 2009

BDO Numerica
International Auditors & Consultants Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Auditor in charge
Dr. Anna Bernaziuk
Polish Certified Auditor
Reg. No. 173/223



On behalf of BDO Numerica
International Auditors & Consultants Sp. z o.o.
Dr. André Helin
Polish Certified Auditor
Reg. No. 90004/502
Senior Partner, BDO Numerica
International Auditors & Consultants Sp. z o.o.





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I. GENERAL INFORMATION

1. Information about the holding company

1.1 Name and legal status

Emperia Holding Spółka Akcyjna [joint-stock company].
The Company can use the abbreviation: Emperia Holding S.A.

1.2 Registered office

20-952 Lublin, ul. Mełgiewska 7-9

1.3 Areas of activity

The main area of activities of Emperia Holding S.A., as a holding company, is the management of the companies comprising the Group, the realization of central functions for the benefit of the subsidiaries, such as: coordination of purchasing and sale policies, finance management, management of selected groups of assets and liabilities, etc., as well as the acquisition of shares of entities conducting wholesale and distribution of fast moving consumer goods (FMCG), which include primarily foods, cosmetics, household chemicals, alcohol and tobacco products, small household items, etc.

1.4 Legal basis for the holding company's operations

Emperia Holding S.A. operates on the basis of:

- the Statute prepared in the form of a notarial deed on 26 October 1994 (Rep. A No. 366/94) with subsequent amendments, and
- the Code of Commercial Partnerships and Companies.

1.5 Registration at Business Court

On 9 August 2001 the Company was entered in the National Court Register at the Regional Court in Lublin – XI Business Division Registration Section in number KRS 0000034566. Previously the Company had been registered in the Commercial Register in number RHB – 3367.

1.6 Registration at Tax Office and Voivodship Statistical Office

NIP	712-10-07-105
REGON	430450457

1.7 Equity – value and changes in the reporting period

As at 31 December 2008 the holding company's share capital amounted to 15 115 thousand zł, whilst the share premium amounted to 549 559 thousand zł.

The holding company's main shareholders as at 31 December 2008:

Shareholder	Shares	% of share capital	Number of votes at GSM	% of votes at GSM
Commercial Union OFE	1 571 948	10,40%	1 571 948	10,40%
Jarosław Wawerski	1 090 537	7,21%	1 090 537	7,21%
Artur Emanuel Kawa	1 000 086	6,62%	1 000 086	6,62%
ING OFE	814 811	5,39%	814 811	5,39%
Other	10 637 779	70,38%	10 637 779	70,38%
Total:	15 115 161	100,00%	15 115 161	100,00%

As at 31 December 2008 the equity of the Emperia Holding S.A. Group amounted to 745 083 thousand zł after increasing by 55 761 thousand zł compared to the previous year.

Changes in the Group's equity were caused by:

- an increase in the share capital of the holding company by 122 thousand zł (issue of N series shares)
- increase in share premium by 13 332 thousand zł (issue of N series shares)
- recognition of the costs of a managerial options program corresponding to the year 2008 in the reserve from the valuation of managerial options in the amount of 596 thousand zł
- recognition in the revaluation reserve of the losses arising out of a change in the fair value of cash flow hedging instruments in the amount of 1 681 thousand zł
- payment of a dividend in the amount of 13 301 thousand zł
- recognition of adjustments of prior year errors reducing equity by 321 thousand zł
- settlement of mergers of previously unconsolidated entities, reducing the Group's equity by 323 thousand zł
- taking up of a portion of minority capital by the holding company, which reduced the Group's equity by 1 869 thousand zł
- the Group's generation of a consolidated profit for the year 2008 in the amount of 59 206 thousand zł.

The capital corresponding as at 31 December 2008 to the minority shareholders came from the minority shareholders' interest in the company Spółem Tychy Sp. z o. o. The capital corresponding to the minority shareholders has gone down compared to the previous year from 2 024 thousand zł to 392 thousand zł. The decrease of the minority shareholders' capital in the Group's equity has to do with a rise in the holding company's share in the equity of the company Spółem Tychy Sp. z o.o.

1.8 The holding company's Management

As at 31 December 2008 the Management Board comprised:

1/ Artur E. Kawa	President of the Management Board
2/ Jarosław Wawerski	Vice-President of the Management Board
3/ Dariusz Kalinowski	Member of the Management Board
4/ Marek G. Wesołowski	Member of the Management Board
5/ Grzegorz Wawerski	Member of the Management Board

In its Resolution No. 52/2007 of 19 December 2007 the Supervisory Board dismissed Mr. Piotr Laskowski from the position of Member of the Management Board effective 3 January 2008.

In its Resolution No. 25/2008 of 27 May 2008, the Supervisory Board reduced the number of Members of the Management Board of Emperia Holding S.A. and dismissed: Mr. Jarosław Rudnicki, Mr. Jacek Dudzik, Ms. Renata Bronisz-Czyż and Mr. Lesław Sygula.

1.9 Supervisory Board

As at 31 December 2008 the Supervisory Board comprised:

1/ Ireneusz Zięba	Chairman of the Supervisory Board
2/ Zenon A. Mierzejewski	Vice-Chairman of the Supervisory Board
3/ Piotr Kawa	Member of the Supervisory Board
4/ Piotr Laskowski	Member of the Supervisory Board
5/ Piotr Długosz	Member of the Supervisory Board
6/ Tomasz M. Krysztofiak	Member of the Supervisory Board

On 3 January 2008 the Extraordinary General Meeting passed Resolution No. 1/2008 dismissing Wincenty Mura from the Supervisory Board following his resignation.

On 3 January 2008 in its Resolution No. 2/2008 the Extraordinary General Shareholders Meeting appointed Mr. Piotr Laskowski as Member of the Supervisory Board.

1.10 Employment

In the audited period from 1 January 2008 to 31 December 2008 the Emperia Holding S.A. Group employed an average of 11 966 people.

2. General information about the Group

As at 31 December 2008 the Emperia Holding S.A. Group comprised the following entities covered by the consolidated financial statements:

No.	Entity name	Main area of activity	Nature of capital link	Consolidation method	% of share capital	Date control acquired	Auditor	Audit opinion
1.	Emperia Holding S.A.	provision of holding services	holding company	not applicable	not applicable	not applicable	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
2.	Stokrotka Sp. z o.o.	retail sale of foods	subsidiary	acquisition accounting	100,00%	1999-01-27	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
3.	Infinite Sp. z o.o.	information technology	subsidiary	acquisition accounting	100,00%	1997-03-11	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified with emphasis of matter*
4.	Detal Koncept Sp. z o.o. (formerly Groszek Sp. z o.o.)	franchising in the retail sector	subsidiary	acquisition accounting	100,00%	1995-04-25	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified with emphasis of matter*
5.	Elpro Sp. z o.o.	building development	subsidiary	acquisition accounting	100,00%	2001-02-15	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
6.	Tradis Sp. z o.o. (formerly Eldorado Sp. z o.o.)	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-23	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
7.	BOS S.A.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
8.	Dystrybucja Logistyka Serwis S.A.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
9.	Sygel-Jool S.A.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
10.	DEF Sp. z o.o.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
11.	Express Podlaski Sp. z o.o.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
12.	Arsenal Sp. z o.o.	export, import of foods, domestic sale of raw materials to producers	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
13.	Lewiatan Podlasie Sp. z o.o.	retail sale of foods	subsidiary	acquisition accounting	100,00%	2007-01-02	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
14.	Spolem Tychy Sp. z o.o.	retail sale of foods	subsidiary	acquisition accounting	96,49%	2007-07-06	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
15.	Centrum Sp. z o.o.	retail sale of foods	subsidiary	acquisition accounting	100,00%	2007-09-10	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
16.	Maro-Markety Sp. z o.o.	retail sale of foods	subsidiary	acquisition accounting	100,00%	2007-09-12	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
17.	Euro Sklep S.A.	franchise management, retail sale	subsidiary	acquisition accounting	100,00%	2007-10-24	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
18.	Alpaga-Xema Sp. z o.o.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-11-20	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified
19.	Sydo Sp. z o.o.	wholesale of foods	subsidiary	acquisition accounting	100,00%	2007-11-29	BDO Numerica International Auditors & Consultants Sp. z o.o.	unqualified

The Emperia Holding S.A. Group

Audit Report on the consolidated financial statements for the period from 1 January to 31 December 2008

20.	Emperia Info Sp. z o.o.	computer software related activities	subsidiary	acquisition accounting	100,00%	2008-09-12	not audited	not applicable
21.	Partnerski Serwis Detaliczny S.A. (formerly Retail Services Poland S.A.)	organization of shopping networks	subsidiary	by equity accounting due to limited access to financial data	100,00%	2008-01-01	BDO Numerica International Auditors & Consultants Sp. z o.o.	qualified with emphasis of matter*

*The emphases of matter and qualifications are immaterial to the consolidated financial statements

In addition to the above entities, the Group includes subsidiaries excluded from consolidation owing to the fact that their financial data are immaterial when it comes to realizing the requirement to present a true and fair view of the Group's financial position and financial result. They are:

No.	Entity name	Registered office	Nature of capital link	% of share capital	Auditor	Audit opinion
1.	Lider Sp. z o.o. in liquidation	70-660 Szczecin, Gdańska 3C	subsidiary	100,00%	not audited	not applicable
2.	Lewiatan Orbita Sp. z o.o.	10-680 Olsztyn, Lubelska 33	subsidiary	100,00%	not audited	not applicable
3.	Lewiatan Kujawy Sp. z o.o.	87-800 Włocławek, Komunalna 6	subsidiary	50,00%	not audited	not applicable
4.	Lewiatan Śląsk Sp. z o.o.	41-200 Sosnowiec, Chemiczna 12	subsidiary	72,06%	not audited	not applicable
5.	Lewiatan Częstochowa Sp. z o.o.	42-200 Częstochowa, Wręczycka 22/26	subsidiary	37,50%	not audited	not applicable
6.	Lewiatan Mazowsze Sp. z o.o.	05-800 Pruszków, Błomska 12	subsidiary	34,00%	not audited	not applicable
7.	Pro Media M.in. Sp. z o.o.	87-800 Włocławek, Komunalna 6	subsidiary	32,50%	not audited	not applicable
8.	Piccolo Sp. z o.o.	43-100 Tychy, Grota Roweckiego 60	subsidiary	50,00%	not audited	not applicable
9.	Lewiatan Wielkopolska Sp. z o.o.	60-479 Poznań, Strzeszyńska 23	subsidiary	68,57%	not audited	not applicable
10.	Lewiatan Opole Sp. z o.o.	45-325 Opole, Światowida 2	subsidiary	51,58%	not audited	not applicable
11.	Lewiatan Dolny Śląsk Sp. z o.o.	59-900 Zgorzelec, Armii Krajowej 13	subsidiary	98,98%	not audited	not applicable
12.	Lewiatan Zachód Sp. z o.o.	Szczecin, Pomorska 115B	subsidiary	100,00%	not audited	not applicable
13.	ZKiP Lewiatan 94 Holding S.A.	87-800 Włocławek, Zielony Rynek 5	subsidiary	48,84%	not audited	not applicable

In addition, the holding company holds shares of associated entities and of entities other than related parties. A detailed list of those entities is presented in point 10.1 of the consolidated financial statements for the year 2008.

Detailed information on the settlement of business combinations conducted within the Group is presented in point 10.2.9 of the consolidated financial statements for the year 2008.

3. Information about the audited consolidated financial statements

The holding company is an issuer of securities admitted to trading on the Warsaw Stock Exchange in Warsaw, and in accordance with the requirements of the Accounting Act, it prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) approved by the European Union.

We have audited the consolidated financial statements of the Emperia Holding S.A. Group prepared for the period from 1 January 2008 to 31 December 2008 in accordance with International Financial Reporting Standards approved by the European Union, consisting of:

- the consolidated balance sheet prepared as at 31 December 2008, showing total assets and liabilities of **1 725 268 thousand zł**,
- the consolidated profit and loss account for the period from 1 January 2008 to 31 December 2008, showing a net profit of **59 206 thousand zł**,
- the statement of changes in consolidated shareholders' equity for the period from 1 January 2008 to 31 December 2008, showing an increase in shareholders' equity of **55 761 thousand zł**,
- the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a net cash decrease of **42 384 thousand zł**,
- introduction and notes to the consolidated financial statements.

The consolidated financial statements were signed by the Management Board of the holding company on 30 April 2009.

4. Information about the entity authorized to perform audits and the certified auditor performing the audit

BDO Numerica International Auditors & Consultants Sp. z o.o. (legal successor of BDO Numerica S.A.) with its registered office in Warsaw, ul. Postępu 12, is an entity authorized to audit financial statements, registered in number 3355.

The audit was conducted based on an agreement signed on 18 August 2008 and performed from 20 March to 30 April 2009 by BDO Numerica International Auditors & Consultants Sp. z o.o. under the direction of Dr. Anna Bernaziuk – Polish Certified Auditor No. 173/223.

BDO Numerica International Auditors & Consultants Sp. z o.o. was selected as the auditor of the standalone and consolidated financial statements for the year 2008 in Resolution No. 36 passed by the Supervisory Board on 11 July 2008.

We hereby declare that BDO Numerica International Auditors & Consultants Sp. z o.o. and the certified auditor performing the audit of the above-described financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements – as provided for in article 66 par. 2 and 3 of the Accounting Act.

The Company provided the auditor with access to all of the requested data and provided all the information and explanations necessary to perform the audit, as well as informed of all significant post-balance sheet events.

The auditor was not limited in selecting the appropriate auditing methods.

5. Information about the financial statements for the previous financial year

The consolidated financial statements for the period from 1 January 2007 to 31 December 2007, prepared in accordance with International Financial Reporting Standards, had been audited by BDO Numerica S.A. (presently BDO Numerica International Auditors & Consultants Sp. z o.o.) and given an unqualified opinion.

The Group's consolidated financial statements for the period from 1 January 2007 to 31 December 2007 were approved in Resolution No. 4 passed by the Ordinary General Shareholders Meeting of 26 June 2008. They were filed with the National Court Register in Lublin on 11 July 2008 and published in Polish Monitor B No. 397, item 2287 on 12 March 2009.

6. Other material information about the reporting period

6.1 Major organizational changes

Significant changes that occurred in the reporting period with regard to entities covered by consolidation are presented in Note No. 54 to the consolidated financial statements for the year 2008.

6.2 Adjustments of fundamental errors and changes in accounting policies

No adjustments of fundamental errors or changes in accounting policies were introduced in the audited period with the exception of:

- a change in the presentation of bonuses granted to customers and bonuses received from suppliers, and inventory shortages described in point 12 of the annual report. The change in presentation had no effect on the consolidated net profit;
- adjustment of the result for the prior year by (156) thousand zł at a subsidiary company, relating to recognizing the costs of a cash bonus in accordance with the accrual method;
- adjustment of the consolidated result for previous years by (163) thousand zł relating to the settlement under the cost of goods sold of the fair value valuation of inventory, performed at the acquisition of a subsidiary and sold prior to 31 December 2007.

6.3. External inspections

In the audited period the Group's companies were inspected by tax offices (summary and cross inspections), as well as by other inspection organs. No irregularities were found.

We would like to point out that the Group's tax settlements and financial statements may be subject to tax inspections. Tax regulations in Poland change frequently and contain inconsistencies resulting in varying, sometimes contradictory, interpretations performed by business entities and by the various tax organs. Because of uncertainty as to the final interpretation of certain tax regulations, the amounts listed in the financial statements may change at a later date, after the tax organs perform their calculation.

7. Significant subsequent events

Significant changes that occurred at the Emperia Holding S.A. Group after the balance sheet date are described in Note No. 51 to the consolidated financial statements for the year 2008.

II. FINANCIAL ANALYSIS

Presented below are selected balance sheet and profit and loss account items, as well as key financial ratios.

1.1 Balance sheet

(*000 zł)

	<u>31.12.2008</u>	% of balance sheet total	<u>31.12.2007</u>	% of balance sheet total	<u>31.12.2006</u>	% of balance sheet total
ASSETS						
Fixed assets						
Tangible fixed assets	579 644	33,6%	435 856	29,3%	177 488	28,2%
Investment properties	17 711	1,0%	4 743	0,3%	0	-
Intangible fixed assets	6 367	0,4%	3 576	0,2%	450	0,1%
Goodwill	189 827	11,0%	183 182	12,3%	0	-
Shares of entities valued by equity accounting	3 997	0,2%	0	0,0%	0	0,0%
Financial assets	10 331	0,6%	32 765	2,2%	255 956	40,6%
Long-term receivables and other prepayments	22 326	1,3%	13 866	0,9%	4 057	0,7%
Deferred income tax assets	21 085	1,2%	16 113	1,1%	4 656	0,7%
	<u>851 288</u>	49,3%	<u>690 101</u>	46,4%	<u>442 607</u>	70,3%
Current assets						
Inventory	415 801	24,1%	344 121	23,1%	94 921	15,1%
Short-term receivables	396 840	23,0%	349 254	23,5%	74 046	11,8%
Advances for income tax	3 920	0,2%	3 962	0,3%	20	0,0%
Short-term securities	0	0,0%	4	0,0%	0	-
Prepaid expenses	7 196	0,4%	5 762	0,4%	2 934	0,5%
Cash and cash equivalents	50 023	2,9%	92 407	6,2%	12 653	2,0%
Other financial assets	200	0,0%	86	0,0%	2 570	0,4%
Assets classified as held for resale	0	0,0%	1 505	0,1%	0	-
	<u>873 980</u>	50,7%	<u>797 101</u>	53,6%	<u>187 144</u>	29,7%
TOTAL ASSETS	<u>1 725 268</u>	100,0%	<u>1 487 202</u>	100,0%	<u>629 751</u>	100,0%

The Emperia Holding S.A. Group

Audit Report on the consolidated financial statements for the period from 1 January to 31 December 2008

LIABILITIES AND EQUITY
Equity

Share capital	15 115	0,9%	14 770	1,0%	12 924	2,1%
Unregistered share capital	0	0,0%	223	0,0%	0	-
Share premium	549 559	31,9%	536 227	36,1%	273 292	43,4%
Reserve capital	90 862	5,3%	22 353	1,5%	7 497	1,2%
Reserve from the valuation of managerial options	596	0,0%	0	0,0%	0	0,0%
Other reserves	59 873	3,5%	46 837	3,2%	44 668	7,1%
Revaluation reserve	-1 681	-0,1%	0	-	0	-
Accumulated profits	30 367	1,8%	66 888	4,5%	18 745	3,0%
Minority shareholders capital	392	0,0%	2 024	0,1%	0	-
	<u>745 083</u>	43,2%	<u>689 322</u>	46,4%	<u>357 126</u>	56,7%

Long-term liabilities

Credits, loans, debt securities and other long-term financial liabilities	285 263	16,5%	129 610	8,7%	72 216	11,5%
Long-term liabilities	5 498	0,3%	1 966	0,1%	1 374	0,2%
Provisions	2 362	0,1%	3 050	0,2%	122	0,0%
Provision for deferred income tax	13 098	0,8%	10 462	0,7%	1 883	0,3%
	<u>306 221</u>	17,7%	<u>145 088</u>	9,8%	<u>75 595</u>	12,0%

Short-term liabilities

Credits, loans, debt securities and other short-term financial liabilities	29 315	1,7%	80 797	5,4%	29 521	4,7%
Short-term liabilities	615 740	35,7%	545 557	36,7%	155 482	24,7%
Income tax payables	6 715	0,4%	6 242	0,4%	4 239	0,7%
Provisions	21 030	1,2%	19 044	1,3%	7 498	1,2%
Deferred income	1 164	0,1%	1 152	0,1%	290	0,1%
	<u>673 964</u>	39,1%	<u>652 792</u>	43,9%	<u>197 030</u>	31,3%

TOTAL LIABILITIES AND EQUITY

	<u>1 725 268</u>	100,0%	<u>1 487 202</u>	100,0%	<u>629 751</u>	100,0%
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1.2 Profit and loss account

('000 zł)

	01.01.08- 31.12.08	Growth 2008/2007	01.01.07- 31.12.07	Growth 2007/2006	01.01.06- 31.12.06
Sales revenue	5 257 118	18,8%	4 424 833	214,5%	1 406 728
Revenue from the sale of finished products	107 565	4,1%	103 321	46,7%	70 450
Revenue from the sale of goods for resale and raw materials	5 149 553	19,2%	4 321 512	223,4%	1 336 278
Cost of goods sold	4 444 290	18,2%	3 759 191	216,0%	1 189 784
Cost of finished products sold	63 977	71,5%	37 313	136,7%	15 764
Cost of goods for resale and raw materials sold	4 380 313	17,7%	3 721 878	217,0%	1 174 020
Sales profit	812 828	22,1%	665 642	206,8%	216 944
Other operating revenue	18 486	-15,3%	21 831	118,7%	9 983
Sales costs	618 248	32,5%	466 641	202,2%	154 396
General administrative costs	100 673	27,6%	78 928	135,7%	33 489
Other operating costs	16 381	186,4%	5 719	-5,9%	6 076
Operating profit	96 012	-29,5%	136 185	313,1%	32 966
Financial revenue	3 145	-15,0%	3 700	407,5%	729
Financial costs	18 714	-36,3%	29 370	663,3%	3 848
Profit before tax	80 443	-27,2%	110 515	270,3%	29 847
Income tax	19 656	-11,1%	22 098	241,5%	6 471
Current	22 798	-9,6%	25 215	217,1%	7 953
Deferred	-3 142	0,8%	-3 117	110,3%	-1 482
Share in the financial result of valued entities	-1581				
Net profit	59 206	-33,0%	88 417	278,2%	23 376

1.3 Key financial ratios

		<u>01.01.08- 31.12.08</u>	<u>01.01.07- 31.12.07</u>	<u>01.01.06- 31.12.06</u>
Return on assets				
	$\frac{\text{net financial result}}{\text{total assets}}$	3,43%	5,95%	3,71%
Return on equity				
	$\frac{\text{net financial result}}{\text{equity}}$	7,95%	12,83%	6,55%
Net sales profitability				
	$\frac{\text{net financial result}}{\text{sales revenue}}$	1,13%	2,00%	1,66%
Current ratio				
	$\frac{\text{total current assets}}{\text{short-term liabilities}}$	1,30	1,22	0,95
Quick ratio				
	$\frac{\text{total current assets} - \text{inventory}}{\text{short-term liabilities}}$	0,68	0,69	0,47
Receivable days				
	$\frac{\text{average gross trade receivables} * \times 365 \text{ days}}{\text{sales revenue}}$	24	**27	17
Payable days				
	$\frac{\text{average trade payables} * \times 365 \text{ days}}{\text{cost of goods sold}}$	42	**47	40
Inventory days				
	$\frac{\text{average inventory} * \times 365 \text{ days}}{\text{cost of goods sold}}$	31	**33	30

(*) average balances calculated as the averages of the opening and closing balances.

(**) ratios calculated based on balances of receivables, payables and inventory as at 31 December 2007, and not on the average balances from the years 2007 and 2006 due to the consolidation in the year 2007 with the BOS S.A. Group.

1.4 Interpretation of ratios and general financial position

As at the end of the audited period the assets of the Emperia Holding S.A Group totaled 1 725 268 thousand zł. In the course of the year the balance sheet total went up by 238 066 thousand zł, i.e. by 16 %. The rise was caused by the Group's expansion by two more companies: Sydo Sp. z o.o. and Alpaga Sp. z o.o., the acquisition of operations from a company from outside the Group, and an escalation of operations, which in turn translated into a rise in tangible fixed assets, inventory and receivables. This increase was financed with both equity (increase by 55 761 thousand zł described in point 1.7 of the present report), and with borrowed capital (increase by 182 305 thousand zł).

Similarly to last year, the Group's assets consisted primarily of tangible fixed assets, inventory and short-term receivables, which as at 31 December 2008 constituted 33,6%, 24,1% and 23,0% of total assets, respectively.

On the side of liabilities and equity, equity amounted to 43,2% of the balance sheet total, and borrowed capital to 56,8%. At 35,5% of the balance sheet total, short-term liabilities (mainly trade payables) were a significant liabilities and equity item as at the balance sheet date, as were credit and loan payables (long- and short-term), which constituted 18,2% of the balance sheet total. A visible improvement in the structure of credit and loan debt – a 120% rise in long-term debt coupled with a 64% drop in short-term debt, was achieved through the conclusion of annexes to credit agreements, extending the Group's financing for the next 2 – 3 years.

The improvement in the structure of debt in favor of long-term debt had a direct effect on the liquidity ratios, which despite a 42 384 thousand zł drop in cash and cash equivalents, have remained close to last year's and amount to:

- current ratio 1,30 (compared to 1,22 in 2007)
- quick ratio 0,68 (compared to 0,68 in 2007)

In the year 2008 improvements were recorded in the receivable days ratio (from 27 days in 2007 to 24 days), the payable days ratio (from 47 days in 2007 to 42 days) and the inventory days ratio (from 33 to 31 days).

In the year 2008 the Group generated a consolidated net profit that was by 33% lower than last year's profit of 88 417 thousand zł. The Group's consolidated net profit for the period from 1 January 2008 to 31 December 2008 amounted to 59 206 thousand zł.

As its consolidated net profit was lower, the Group recorded a drop in the return on assets, return on equity and net sales profitability ratios.

Despite the fact that sales revenue growth was greater (a rise by 18,8% compared to 2007) and gross sales profitability, measured as a ratio of sales profit to sales revenue, comparable to last year's (2008: 15,5%; 2007: 15,0%), the Group's net profit was decreased primarily by the costs of opening new distribution centers and retail stores.

The 10 662 thousand zł rise in operating costs compared to the year 2007, apart from 4 750 thousand zł in the costs of acquiring new locations, was caused by an increase in provisions for doubtful debts by the amount of 6 141 thousand zł. This was the result of a general deterioration of the quality of the Group's receivables portfolio due to macroeconomic difficulties at two subsidiaries.

With regard to the Group's financial activities (financial revenue and costs), a clear drop in financial costs occurred in the year 2008 despite a rise in bank credit debt. Financial costs were higher in 2007 compared to 2008 due to the recognition of losses on the valuation and settlement of forward contracts. In 2008, as forward transactions were better suited to export transactions and the Group applied hedge accounting, it was possible to avoid such losses.

The effective income tax rate is 24,4 % compared to 20% in 2007. This is caused by the fact that the pre-tax consolidated profit contains the results of the subsidiaries that incur tax losses on which, due to the prudence principle, no deferred income tax assets are created, and also a deferred income tax asset is created on provisions for doubtful debts which are very likely to be settled as tax-deductible costs. In addition, the rise in the effective tax rate in 2008 compared to 2007 was caused by non-tax deductible capital contributions at subsidiary companies.

III. DETAILED INFORMATION

1. Methods used in the consolidation of the financial statements

1.1 Accounting methods

The entities belonging to the Group apply, in all material respects, the same accounting methods, which did not change in the year 2008 with the exception of a change in the presentation of bonuses granted to customers and bonuses received from suppliers, and inventory shortages described in point 12 of the annual report. The change in presentation had no effect on the consolidated net profit. The Group's accounting methods are presented in point 10.2 of the consolidated financial statements for the year 2008.

The financial statements of the entities covered by the consolidation have been prepared as at the same balance sheet date.

1.2 Methods used to consolidate capital and determine minority capital

The share capital of the holding company is the share capital of the Group.

The other components of the Group's equity were calculated by adding to the individual components of the holding company's equity the matching components of the equities of the subsidiary companies included in the consolidated financial statements, corresponding to the holding company's share in the subsidiary companies as at the balance sheet date. Included in the Group's equity were only those portions of the matching components of the subsidiary companies' equities, which have been created since the date on which the holding company began to exercise control.

The equity of the minority shareholders in the subsidiary companies included in the consolidated financial statements was calculated on the basis of the share of these shareholders in the subsidiary companies as at the balance sheet date.

Changes in the equity of the Emperia Holding S.A. Group are presented in Section I, point 1.7 of the present report.

1.3 Methods used to calculate and amortize goodwill on consolidation

The goodwill listed as an asset component as at the acquisition date constitutes the surplus of the acquisition price over the fair value of the acquired assets, liabilities and contingent liabilities of the subsidiary. As at 31 December 2008 goodwill amounted to 189 827 thousand zł and comprised the goodwill recognized in 2007 as a result of the acquisition of the BOS S.A. Group, the companies Centrum, Maro-Markety, Eurosklepy and PSS Tychy, totaling 183 182 thousand zł, as well as the goodwill recognized in 2008 as a result of the acquisition of the companies Sydo and Alpaga and additional shares of the company PSS Tychy, totaling 13 036 thousand zł. The acquisition of shares of the company Centrum was finally settled in the year 2008, as a result of which goodwill was reduced by 6 390 thousand zł.

Goodwill is subject to yearly impairment testing. Any impairment determined as a result of such tests is immediately recognized in the profit and loss account and is not subject to later adjustments. An impairment test performed as at 31 December 2008 showed no need to create revaluation write downs. The details of the impairment test performed by the Group are presented in the notes to the consolidated financial statements.

1.4 Methods used to prepare the consolidated financial statements

The consolidated financial statements of the Emperia Holding S.A. Group have been prepared on the basis of the financial statements of the companies comprising the Group and presented as if the Group constituted a single entity. The holding company and the subsidiary companies were consolidated using acquisition accounting, with the exception of the subsidiary Partnerski Serwis Detaliczny S.A., which was valued using equity accounting due to limited access to the subsidiary's financial data.

In the course of consolidation relevant exclusions were made in the area of mutual receivables and payables, revenues and costs relating to transactions carried out between the companies included in the consolidation, profits and losses arising from transactions between the companies included in the consolidation, contained in the values of the assets and liabilities subject to consolidation. Also excluded was the value of the subsidiaries' shares held by the holding company.

1.5 Consolidation documentation

The holding company prepared the consolidation documentation in accordance with the requirements of Chapter 6 of the Minister's of Finance Decree dated 8 August 2008 on the detailed methods used in the preparation of the consolidated financial statements of groups by entities other than banks and insurers (2008 Journal of Laws No. 162, item 1004), including the financial statements of related parties, the adjustments and exclusions necessary to prepare the consolidated financial statements, and the calculation of minority shareholders' capital.

2. Introduction and notes to the consolidated financial statements

The Group prepared additional information consisting of introduction and notes to the consolidated financial statements, which meet in all material respects the requirements of International Financial Reporting Standards and related interpretations announced by the European Commission in the form of implementing regulations.

The financial data presented therein are consistent with the books of account and the audited consolidated financial statements.

3. Statement of changes in consolidated shareholders equity

The statement of changes in consolidated shareholders' equity has been prepared correctly and is consistent with the consolidated balance sheet and the consolidated profit and loss account.

4. Consolidated cash flow statement

The consolidated cash flow statement is consistent with the consolidated balance sheet, consolidated profit and loss account, and with the books of account.


5. Declaration of the holding company's Management

The Management of the holding company Emperia Holding S.A. submitted a written declaration about the completeness of the books of account and disclosure of all contingent liabilities and significant post-balance sheet events.

Warsaw, 30 April 2009

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