CONSOLIDATED FINANCIAL STATEMENT

ANNUAL REPORT 2008

PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(ALL AMOUNTS IN THOUSANDS PLN)

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 2008 Consolidated Annual Report of Emperia Holding S.A.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

LUBLIN, APRIL 2009

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1. Letter of President of the management board

Dear Shareholders,

2008 was a year of the consolidation of the FMCG market, the growing competition, additionally connected with symptoms of economic recession snitch to the worldwide scale. In spite of the difficult appearance Grupa Handlowa Emperia managed to enhance the position of the leader amongst Polish commercial companies conducting distribution and the retail sale of commodities. In 2008 the Grupa Emperia achieved 17 % rise in incomes from the sale which exceeded 5.2 billion of zlotys and made a profit netto of the amount of 60 million zlotys. The expenditure for investments incurred by the Group was highest in current Emperia history and crossed 186 million zlotys.

In 2008 action of the Group concentrated above all on accelerating the process of the reorganization of the Group, the organic development and the activity in area of the merger and takeovers. As part of the restructuring of the Grupa Handlowa Emperia, being aimed at transforming distribution companies in one strong the Tradis company was being joined activity of individual companies and an all-Polish network of centres of distribution was being built. A centre was started in Błonie, in Wrocław and Będzin as well as an expansion of the centre of distribution was finished in Lublin.
In the area of the detail action being aimed at standardizing formats of retail shops was being continued. They made connecting activity of the company of the Centre with the Stokrotka and a standardization of brands was carried out Jaskółka around Milea. A name and a visualisation of delicatessen chains of supermarkets were changed Premium Stokrotka on Delima.
Grupa Handlowa Emperia consistently carried consolidation plans out. Six retail companies joined Emperia: Lewiatan Dolny Śląsk, Lewiatan Zachód, Lewiatan Orbita, Lewiatan Śląsk, Lewiatan Wielkopolska i ZKiP Lewiatan'94 Holding.
In the area of distribution a MAGO company joined the with the seat in Piła being a part of the distribution group MPT. Emperia outside consolidation action consistently led the organic development of the Group. In the sequence of the year eighteen Stokrotka supermarkets were opened and two delicatessen Delima supermarkets in Słupsk and in Warsaw. At the end of 2008 Stokrotka managed chain of 135 supermarkets. Chains of compact supermarkets counted 2 347, in 2008 1,289 supermarkets arrived the year.

Bending on financial markets and the unstable macroeconomic situation had the essential influence on the course in all shares of companies taken down on the Warsaw Stock Exchange of Securities, including Emperia. The price of the Emperia shares at the end of 2008 was 51.45 zł.
In the day of 17 September 2008 Emperia once again has payed dividend for which assigned 15 % profits made in 2007 i.e. amount 13,301,314.68 zł (0.88 zł/share).

Plans for 2009 assume finishing the restructuring Grupa Handlowa Emperia, the continuation of the organic development and with more further consolidation of the FMCG market. We are establishing the 12% rise in incomes from the sale to the level 5.9 bn of zł, keeping high inwestments, the rise in the net profit. The board of directors will be recommending payment of the dividend 15% of the net profit made by the Grupa Handlowa Emperia group in 2008.

Before us difficult year. It will be year of the hard work, numerous challenges and significant decisions. Good financial condition of the Group and consistently realized strategy at the close cost control, in spite of the deteriorating situation on the market, let me look ahead with optimism.
Warmly I thank employees, customers and sales partners for the consecutive year of the cooperation. I would like also to thank shareholders for the confidence which they gave the Emperii Board of directors.

Trusting and supporting shareholders constitutes essential motivation for the hard work and constant construction of value for us and our company. I believe that Emperia shares constitute good, long-term investment.

Artur Kawa

EMPERIA HOLDING S.A. all amounts in thousands PLN

2. Selected Financial Highlights

	SELECTED FINANCIAL HIGHLIGHTS (current year)	PLN		EUR	
		For period 01.01.2008 to 31.12.2008	For period 01.01.2007 to 31.12.2007	For period 01.01.2008 to 31.12.2008	For period 01.01.2007 to 31.12.2007
I.	Net revenues from sale of products, goods and materials	5 257 118	4 424 833	1 488 383	1 171 583
II.	Profit (loss) on operating activity	96 012	136 185	27 183	36 058
III.	Profit (loss) before tax	80 443	110 515	22 775	29 262
IV.	Profit (loss) for period	59 206	88 417	16 762	23 411
V.	Net cash flows from operating activity	30 101	98 903	8 522	26 187
VI.	Net cash flows from investing activity	(176 565)	(138 040)	(49 989)	(36 549)
VII.	Net cash flows from financing activity	103 937	118 891	29 426	31 479
VIII.	Total net cash flows	(42 527)	79 754	(12 040)	21 117
IX.	Total assets	1 725 268	1 487 202	413 495	415 188
X.	Liabilities and provisions against liabilities	980 185	797 880	234 921	222 747
XI.	Long-term liabilities	306 221	145 088	73 392	40 505
XII.	Short-term liabilities	673 964	652 792	161 529	182 242
XIII.	Equity	745 083	689 322	178 574	192 441
XIV.	Initial capital	15 115	14 993	3 623	4 186
XV.	Number of shares	15 115 161	14 992 732	15 115 161	14 992 732
XVI.	Weighted average number of shares	15 064 149	13 467 096	15 064 149	13 467 096
XVII.	Profit (loss) per ordinary share (PLN/EUR)*	3,93	6,57	1,11	1,74
XVIII.	Diluted profit (loss) per ordinary share (PLN/EUR)*	3,93	6,57	1,11	1,74
XIX.	Book value per share (PLN/EUR)**	49,29	45,98	11,81	12,84
XX.	Diluted book value per share (PLN/EUR)**	49,29	45,98	11,81	12,84
XXI.	Declared or distributed dividend per share (PLN/EUR)**	0,88	1,74	0,21	0,49

* the declared amount is calculated based on the weighted average number of the Issuer's shares
** the declared amount is calculated based on the number of the Issuer's shares as at the date of report

*The weighted average number of shares:
- in 2008: in January-May 14 992 732, June-December 15 115 161;
- in 2007: in January-March: 12 923 985, April 13 004 006, May-September: 13 270 200, October: 13 492 732, November-December: 14 992 732

The selected financial highlights are converted into EUR as follows:

1 The profit and loss and cash flow statement items are converted at an exchange rate being the arithmetic average of average exchange rates published by the National Bank of Poland, effective on the last day of each month, which was 3.5321 PLN/EUR in 2008, and 3.7768 PLN/EUR in 2007;
2 The balance sheet items and book value/diluted book value are converted at the average exchange rate published by the National Bank of Poland, effective on the balance sheet date, which was 4.1724 PLN/EUR on 31 December 2008 and 3.5820 PLN/EUR on 31 December 2007.

EMPERIA HOLDING S.A. all amounts in thousands PLN

3. Management Board's Representations

Management Board of Emperia Holding S.A. confirms that, to the best knowledge, annual consolidated financial statements together with comparative figures, have been prepared according to all applicable accounting standards and give a true and fair view of the state of affairs of the Capital Group at the end of the year and its financial result for the period, and report of activities of the issuer shows true view of the state of affairs of the Capital Group, including evaluation of risks and dangers.

Management Board of Emperia Holding S.A. confirms that the Company's auditor has been elected according to applicable rules and that the company auditing Emperia`s accounts and certified auditors engaged in the audit of Emperia met objectives to present an objective and independent report in accordance with Polish law regulations and professional standards.

Lublin, April 2009

Signatures of members of Management Board:

2009-04-30	Artur Kawa	President of the management board	.... signature
2009-04-30	Jarosław Wawerski	Vice- President of the management board	.... signature
2009-04-30	Dariusz Kalinowski	Member of the management board – Financial Director	.... signature
2009-04-30	Marek Wesołowski	Member of the management board – Retail Business Director	.... signature
2009-04-30	Grzegorz Wawerski	Member of the management board – Retail Business Development Director	.... signature

Person responsible for accountancy

2009-04-30	Elżbieta Świniarska	Economic Director	.... signature

4. Opinion of the annual consolidated financial report

The opinion on the studied annual consolidated financial report is in an enclosed file „Opinion and report of studying the annual consolidated financial report of Emperia Holding S.A. 31.12.2008.pdf"

5. Report of studying the annual consolidated financial report

The report of studying the annual consolidated financial report is in an enclosed file „Opinion and report of studying the annual consolidated financial report of Emperia Holding S.A. 31.12.2008.pdf"

EMPERIA HOLDING S.A. all amounts in thousands PLN

6. Summary Consolidated Balance Sheet

	Note	31 December 2008	31 December 2007
Fixed Assets		**851 288**	**690 101**
Tangible fixed assets	1,2	579 644	435 856
Investment real property	3	17 711	4 743
Intangible assets	4,5	6 367	3 576
Goodwill	6	189 827	183 182
Shares in equity method		3 997	
Financial assets	7	10 331	32 765
Long-term receivables and other deferred income	8	22 326	13 866
Deferred income tax assets	9	21 085	16 113
Current Assets		**873 980**	**797 101**
Stock	10	415 801	344 121
Receivables	11	396 840	349 254
Income tax withholding		3 920	3 962
Short-term securities	12		4
Prepaid expenses	13	7 196	5 762
Cash	14	50 023	92 407
Other financial assets	15	200	86
Assets earmarked for sale	16		1 505
Total Assets		**1 725 268**	**1 487 202**
Equity		**745 083**	**689 322**
Share capital	17	15 115	14 770
Unregistered share capital			223
Share premium capital		549 559	536 227
Supplementary capital		90 862	22 353
Supplementary capital from the evaluation of managerial options		596	
Reserve capital		59 873	46 837
Revaluation capital		(1 681)	
Treasury shares			
Retained profit	18	30 367	66 888
Total equity allocated to shareholders of dominant entity		**744 691**	**687 298**
Equity of minority shareholders		392	2 024
Long-term liabilities		**306 221**	**145 088**
Credit facilities, loans and debt securities	19	285 263	129 610
Long-term liabilities	20	5 498	1 966
Provisions	21	2 362	3 050
Provision against deferred income tax	22	13 098	10 462
Short-term liabilities		**673 964**	**652 792**
Credit facilities, loans and debt securities	23	29 315	80 797
Short-term liabilities	24	615 740	545 557
Income tax liabilities		6 715	6 242
Provisions	21	21 030	19 044
Deferred income	25	1 164	1 152
Total liabilities		**1 725 268**	**1 487 202**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Book value	745 083	689 322
Number of shares	15 115 161	14 992 732
Book value per share (PLN)	49,29	45,98

7. Summary Consolidated Profit and Loss Account

	Note	12 months ended 31 December 2008	12 months ended 31 December 2007
Sales revenues		**5 257 118**	**4 424 833**
- including related entities		*2 763*	*1 355*
Sales of products and services	26	107 565	103 321
Sales of goods and materials	27	5 149 553	4 321 512
Cost of goods sold		**(4 444 290)**	**(3 759 191)**
- including related entities		*(2 541)*	*(1 320)*
Cost of manufactured products sold		(63 977)	(37 313)
Cost of goods and materials sold		(4 380 313)	(3 721 878)
Profit on sales		**812 828**	**665 642**
Other operating income	28	18 486	21 831
Selling expense	29	(618 248)	(466 641)
General administrative expense	29	(100 673)	(78 928)
Other operating expense	30	(16 381)	(5 719)
Profit on operations		**96 012**	**136 185**
Financial income	31	3 145	3 700
Financial expense	32	(18 714)	(29 370)
Profit before tax		**80 443**	**110 515**
Income tax		(19 656)	(22 098)
Current tax	33	(22 798)	(25 215)
Deferred tax	34	3 142	3 117
Share in financial result entities valued using the equity method	7a	(1 581)	
Profit for period		**59 206**	**88 417**
Including: profit for shareholders of dominant entity		58 969	88 417
profit for minority shareholders		237	

Emperia Holding SA has revised the presentation of bonuses handed over to recipients, of bonuses received from suppliers and inventory surpluses and losses. Detailed information about changes of presentation for 2007 and their influence on the profit and loss account and Profit and Loss Account explanatory notes were introduced into the note 12 of this report

Profit (loss) for period (annualised)	59 206	88 417
Weighted average of ordinary shares *	15 064 149	13 467 096
Profit (loss) per ordinary share (PLN) annualised	3,93	6,57

*The weighted average number of shares:

– in 2008: in January-May 14 992 732, June-December 15 115 161;
– in 2007: in January-March: 12 923 985, April 13 004 006, May-September: 13 270 200, October: 13 492 732, November-December: 14 992 732

EMPERIA HOLDING S.A. all amounts in thousands PLN

8. Summary Statement of Changes in Equity Capital

	Share capital	Share premium capital	Supplementary capital	Supplementary capital from the evaluation of managerial options	Reserve capital	Revaluation capital	Retained profit	Minority capital	Total equity
1 January 2008	**14 993**	**536 227**	**22 353**		**46 837**		**66 888**	**2 024**	**689 322**
Correction of error for 2007							(321)		**(321)**
- including taking hold of the cost on account of the monetary bonus given in 2007 in Lewiatan Podlasie							(157)		**(157)**
- including turning the evaluation away to fair value of inventory of goods in company Centrum							(164)		**(164)**
1 January 2008 adjusted	**14 993**	**536 227**	**22 353**		**46 837**		**66 567**	**2 024**	**689 001**
Profit for 12 months until 31 December 2008							58 969	237	**59 206**
Result on merger between Detal Koncept and Polka (previously unconsolidated)					(249)				**(249)**
Effect of Społem Tychy interest acquisition								(1 869)	**(1 869)**
Valuation of security interests						(1 681)			**(1 681)**
Effect of other mergers							(74)		**(74)**
Increase of capital following new share issue	122	13 345							**13 467**
Share issue costs		(13)							**(13)**
Valuation of management option				596					**596**
Distribution of 2007 profit – allocation to capital funds			68 509		13 285		(81 794)		
Dividend for shareholders as part of 2007 profit distribution							(13 301)		**(13 301)**
31 December 2008	**15 115**	**549 559**	**90 862**	**596**	**59 873**	**(1 681)**	**30 367**	**392**	**745 083**

1 January 2007	**12 924**	**273 292**	**7 497**		**44 669**		**18 745**		**357 127**
Change in accounting standards and policies									
1 January 2007 adjusted	**12 924**	**273 292**	**7 497**		**44 669**		**18 745**		**357 127**
Profit for 12 months until 31 December 2007							88 417		88 417
Change as a result of mergers								2 024	2 024
Result on merger between BOS and							(220)		(220)

EMPERIA HOLDING S.A. all amounts in thousands PLN

PROLOGISTYKA (previously unconsolidated)							
Effect of other mergers					60		60
Increase of capital following new share issue	1 846	266 851					268 697
Share issue costs		(3 916)					(3 916)
Increase of capital following new share issue – unregistered capital	223						223
Distribution of 2006 profit – allocation to capital funds			14 856	12 202	(27 058)		
Dividend for shareholders as part of 2006 profit distribution				(10 034)	(13 056)		(23 090)
31 December 2007	**14 993**	**536 227**	**22 353**	**46 837**	**66 888**	**2 024**	**689 322**
Share capital	14 770						
Unregistered share capital	223						

all amounts in thousands PLN

9. Summary Consolidated Cash Flow Statement

	Note	12 months ended 31 December 2008	12 months ended 31 December 2007
Profit (loss) for period		**59 206**	**88 417**
Adjustments for:		**(29 105)**	**10 486**
Share in net (profits) losses of entities consolidated using equity method		1 581	
Depreciation		52 928	39 970
(Gain) loss on exchange rate differences		(139)	(255)
Interest and share in profit (dividends)		15 580	13 058
Income tax		19 656	22 098
Profit (loss) on investing activity		(11 479)	(4 978)
Change in provisions	38	676	2 677
Change in stock	38	(52 414)	(43 566)
Change in receivables	38	(27 384)	(28 188)
Change in accruals	38	(9 763)	(1 498)
Change in short-term liabilities	38	3 726	44 086
Other adjustments	38	510	(997)
Income tax paid		(22 583)	(31 921)
Net cash flows from operating activity		**30 101**	**98 903**
Income		**26 507**	**80 954**
Sale of fixed and intangible asset		11 863	26 670
Sale of financial assets		6 667	7 020
Dividends received			
Interest received		102	726
Repayment of loans granted			4 143
Cash from acquired companies		6 493	40 911
Other income		1 382	1 484
Expenditures		**(203 072)**	**(218 994)**
Purchase of fixed and intangible assets		(182 197)	(132 692)
Investments in real property		(4 250)	(5)
Purchase of subsidiaries and associated entities		(12 474)	(81 205)
Purchase of financial assets		(91)	(2 844)
Loans granted		(200)	(1 767)
Other expenditures		(3 860)	(481)
Net cash flows from investing activity		**(176 565)**	**(138 040)**
Income		**199 766**	**494 537**
Income from credit facilities and loans contracted		174 357	202 093
Issue of short-term debt securities		11 466	60 964
Share issue		13 455	228 688
Other income		488	2 792
Expenditures		**(95 829)**	**(375 646)**
Repayment of credit facilities and loans		(52 916)	(281 065)
Redemption of short-term debt securities		(12 000)	(56 071)
Payment of liabilities under financial leases		(986)	(909)
Interest and charges paid		(16 125)	(14 191)
Dividends paid		(13 301)	(23 409)
Other expenditures		(501)	(1)
Net cash flows from financial activity		**103 937**	**118 891**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Change in cash		**(42 527)**	**79 754**
Exchange differences		143	
Cash at beginning of period	37	**92 407**	**12 653**
Cash at end of period	**37**	**50 023**	**92 407**

10. Notes to Consolidated Financial Statements

10.1 Group Background

Name, seat and objects of business of the dominant entity

The parent (dominant) entity operates under the business name of Emperia Holding S.A. (formerly Eldorado S.A.) as a Polish joint stock company entered into the Register of Entrepreneurs maintained by the District Court in Lublin, XI Commercial Division of the National Court Register, entry no. KRS 0000034566.

The seat of the dominant entity is in Lublin, ul. Mełgiewska 7-9.

Since 1 April 2007, the main object of business of Emperia Holding S.A. has been the provision of company holding services (PKD 7415Z). Previously, the Company engaged in non-specialised wholesaling of food, beverages, and tobacco products (PKD 5139Z). The Company is a taxpayer of tax on goods and services (VAT), NIP Tax No. 712-10-07-105.

The shares of the dominant company have been listed on the Stock Exchange in Warsaw since 2001.

The financial year of the Group subsidiaries coincides with the calendar year. The term of the Group subsidiaries is indefinite.

The consolidated financial statements have been prepared for the period from 1 January 2008 to 31 December 2008, with comparable data for the period from 1 January 2007 to 31 December 2007. The consolidated financial statements contain no combined data, the subsidiaries do not operate any internal units that prepare independent financial statements.

The consolidated financial statements have been prepared assuming that the Company will continue its business, and there is nothing to indicate any threat to the continued business of the Group's subsidiaries in the future.

Consolidation details

Emperia Holding S.A. is the parent (dominant) entity for the Group of Companies, preparing consolidated financial statements for the Group.

As at 31 December 2008, Emperia Holding S.A. and twenty subsidiaries, operating as limited liability companies (Sp. z o.o.) or joint-stock companies (S.A.), are subject to consolidation:

Stokrotka Sp. z o.o., Infinite Sp. z o.o., Detal Koncept Sp. z o.o., Elpro Sp. z o.o., Tradis Sp. z o.o., BOS S.A., Sygel-Jool S.A., Dystrybucja Logistyka Serwis S.A., DEF Sp. z o.o., "Express Podlaski" Sp. z o.o., Arsenal Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Centrum Sp. z o.o., Społem Tychy Sp. z o.o., Euro Sklep S.A., Alpaga-Xema Sp. z o.o., Sydo Sp. z o.o., PSD S.A.* and Emperia Info Sp. z o.o.

In 2008, the composition of the Emperia Holding Group (compared to the end of 2007) changed. The consolidation in 2008 was extended to include Alpaga-Xema Sp. z o.o. and Sydo Sp. z o.o. (in 2007 they were excluded from consolidation on the financial data materiality grounds). Following internal Group mergers, the Group no longer includes Milea Sp. z o.o. and Jaskółka Sp. z o.o., acquired by Detal Koncept Sp. z o.o. The liquidation of Rexpol Sp. z o.o. w likwidacji is nearly complete, and a new company, Emperia Info Sp. z o.o., was set up

*At 31.12.2008 due to the limited access to financial data, Emperia Holding S.A. valued shares of Partnerski Serwis Detaliczny S.A. subsidiary using the equity method.

EMPERIA HOLDING S.A. all amounts in thousands PLN

The data presented in this Report as at 31 December 2008 includes stand-alone results of the following subsidiaries subject to consolidation in financial statements.

	Subsidiary name	Registered address	Main objects of business	Court of registration	Relation to parent	Consolidation method	Date of acquiring control / Date of material impact	Interest held	Voting power at general meeting
1	„Stokrotka" Sp. z o.o. (1)	20-952 Lublin, Mełgiewska 7-9	Food product retailing	16977, District Court in Lublin, XI Commercial Division of National Court Register ("NCR")	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	„Infinite" Sp. z o.o.	20-150 Lublin, Ceramiczna 8	IT services	16222, District Court in Lublin, XI Commercial Division of NCR	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	"Detal Koncept" Sp. z o.o.	20-952 Lublin, Mełgiewska 7-9	Retail franchising	40575, District Court in Lublin, XI Commercial Division of the NCR	Subsidiary	Full	1995-04-25	100.00%	100.00%
4	„Elpro" Sp. z o.o.	20-952 Lublin, Mełgiewska 7-9	Property development	946, District Court in Lublin, XI Commercial Division of the NCR	Subsidiary	Full	2001-02-15	100.00%	100.00%
5	„Tradis" Sp. z o.o.	20-234 Lublin, Metalurgiczna 30	Food wholesaling	272382, District Court in Lublin, XI Commercial Division of NCR	Subsidiary	Full	2007-01-23	100.00%	100.00%
6	„BOS" S.A.	15-399 Białystok, Handlowa 2A	Food wholesaling	20518, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%

all amounts in thousands PLN

7	Dystrybucja Logistyka Serwis S.A. (2)	09-400 Płock, Kostrogaj 24	Food product wholesaling	29105 District Court for the Capital City of Warsaw in Warsaw, XXI Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
8	"Sygel-Jool" S.A. (2)	42-200 Częstochowa, Bór 66 F	Food product wholesaling	169138, District Court in Katowice, Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
9	"DEF" Sp. z o.o. (2)	15-399 Białystok, Handlowa 6	Food product wholesaling	48125, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
10	"Express Podlaski" Sp. z o.o. (2)	15-197 Białystok, Dolistowska 1A	Food product wholesaling	126580, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
11	"Arsenal" Sp. z o.o. (2)	15-399 Białystok, Handlowa 5	Food product exporting, importing, domestic marketing of raw materials to producers	8419, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
12	"Lewiatan Podlasie" Sp. z o.o. (2)	15-399 Białystok, Sokólska 9	Food product retailing	33766, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100.00%	100.00%
13	„Społem Tychy" Sp. z o.o. (3)	43-100 Tychy, Damrota 72	Food product retailing	164604, District Court in Katowice, VIII Commercial Division of NCR	Subsidiary	Full	2007-07-06	96.49%	96.49%

EMPERIA HOLDING S.A. all amounts in thousands PLN

14	„Centrum” Sp. z o.o. (4)	11-200 Bartoszyce, Kętrzyńska 18	Food product retailing	171598, District Court in Olsztyn, VIII Commercial Division of NCR	Subsidiary	Full	2007-09-10	100.00%	100.00%
15	„Maro-Markety” Sp. z o.o.	61-615 Poznań, Skwierzyńska 20	Food product retailing	102596, District Court in Poznań, XX Commercial Division of NCR	Subsidiary	Full	2007-09-12	100.00%	100.00%
16	"Euro Sklep" S.A.	43-309 Bielsko-Biała Bystrzańska 94a	Franchise chain management, retailing	12291, District Court in Bielsko Biała, VIII Commercial Division of NCR	Subsidiary	Full	2007-10-24	100.00%	100.00%
17	"Alpaga - Xema" Sp. z o.o.	60-009 Poznań, Kotowo 42	Food product wholesaling	167993, District Court in Poznań, XXI Commercial Division of NCR	Subsidiary	Full	2007-11-20	100.00%	100.00%
18	"Sydo" Sp. z o.o.	53-166 Wrocław, Krzywoustego 82-86	Food product wholesaling	71049, District Court in Wrocław, VI Commercial Division of NCR	Subsidiary	Full	2007-11-29	100.00%	100.00%
19	„Partnerski Serwis Detaliczny” S.A. (PSD S.A.)	02-739 Warszawa, ul. Grażyny 15	Management of FMCG shop networks, food product retailing	280288, Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Commercial Division of NCR	Subsidiary	Equity method	2007-12-20	100,00%	100,00%
20	Emperia Info Sp. z o.o.	20-952 Lublin Mełgiewska 7-9	Software-related services	314260, District Court in Lublin, XI Commercial Division of NCR	Subsidiary	Full	2008-09-12	100.00%	100.00%

(1) directly by Emperia (38,472 shares, 90.20%), and indirectly by "BOS" S.A. (1,254 shares, 2.94%) and "Lewiatan Podlasie" Sp. z o.o. (2,927 shares, 6.86%)
(2) indirectly by "BOS" S.A.
(3) directly by Emperia Holding S.A. (135,606 shares, 79.18%), and indirectly by "BOS" S.A. (28,645 shares, 16.73%) and "DLS" S.A. (1,000 shares, 0.58%)
(4) directly by Stokrotka Sp. z o.o.

EMPERIA HOLDING S.A. all amounts in thousands PLN

List of subsidiaries at the balance sheet date 31 December 2008 excluded from consolidation in financial statements with indication of legal grounds

Entity name	Registered address	Legal grounds for exclusion	Emperia Group interest in share capital (% at balance sheet date)	Emperia Group voting power (% at balance sheet date)
"Lider" Sp. z o.o. w likwidacji (1) (in liquidation)	70-660 Szczecin, Gdańska 3C	The financial data of these entities is immaterial to the extent of the obligation to present a reliable and clear picture of the Group's assets, financial standing and financial result	100.00%	100.00%
"Lewiatan Orbita" Sp. z o.o.(4a)	10-680 Olsztyn, Lubelska 33		100.00%	100.00%
"Lewiatan Kujawy" Sp. z o.o. (4)	87-800 Włocławek, Komunalna 6		50.00%	50.00%
"Lewiatan Śląsk" Sp. z o.o.(2a)	41-200 Sosnowiec, Chemiczna 12		72.06%	72.06%
"Lewiatan Częstochowa" Sp. z o.o. (2)	42-200 Częstochowa, Wręczycka 22/26		37.50%	37.50%
"Lewiatan Mazowsze" Sp. z o.o. (2)	05-800 Pruszków, Błońska 12		34.00%	34.00%
"Pro Media Art." Sp. z o.o. (3)	87-800 Włocławek, Komunalna 6		*32.50%	*32.50%
"Piccolo" Sp. z o.o. (5)	43-100 Tychy, ul. Grota Roweckiego 60		50.00%	50.00%
"Lewiatan Wielkopolska" Sp. z o.o. (6)	60-479 Poznań, ul. Strzeszyńska 23		68.57%	68.57%
"Lewiatan Opole" Sp. z o.o. (6a)	45-325 Opole, ul. Światowida 2		51.58%	51.58%
"Lewiatan Dolny Śląsk" Sp. z o.o.	59-900 Zgorzelec, ul. Armii Krajowej 13		98.98%	98.98%
"Lewiatan Zachód" Sp. z o.o.	Szczecin, Pomorska 115B		100.00%	100.00%
"ZKiP Lewiatan 94 Holding" S.A. (7)	87-800 Włocławek, Zielony Rynek 5		*48.84	*56.97

* indirectly weighted share

(1) indirectly by Stokrotka Sp. z o.o.
(2) indirectly by Sygel-Jool S.A.
(2a) indirectly by Sygel-Jool S.A. (34 shares, 50%), directly by Emperia Holding S.A. (15 shares, 22.06%)
(3) indirectly by Lewiatan Kujawy Sp. z o.o.
(4) indirectly by BOS S.A.
(4a) indirectly by BOS S.A. (59.11% shares) and directly by Emperia (40.89% shares)
(5) indirectly by Społem Tychy Sp. z o.o.
(6) directly by Emperia Holding (7 shares, 10.0%), directly by Maro-Markety Sp. z o.o.(41 shares, 58.57%)
(6a) indirectly by Maro-Markety Sp. z o.o.
(7) directly by Emperia Holding S.A. and indirectly by Lewiatan companies: Kujawy, Podlasie, Śląsk, Orbita, Opole, Wielkopolska, Zachód, Pomorze

EMPERIA HOLDING S.A. all amounts in thousands PLN

List of entities other than subsidiaries entities in which associated entities hold less than 20% of shares as at 31 December 2008

Entity name	Registered address	Share capital (PLN)	Emperia Group interest in share capital (% at balance sheet date)	Emperia Group voting power (% at balance sheet date)
"Lewiatan Pomorze" Sp. z o.o. (1)	81-366 Gdynia, ul. Abrahama 41	1 300	9.69%	9.69%
"Giełda Rolno-Towarowa" Sp. z o.o. (2)	Białystok ul. Gen. Wł. Andersa 38	14 805	0.30%	0.36%
"Spółdzielnia Mieszkaniowa Lokatorsko-Własnościowa w Lidzbarku Warmińskim" (1) (residential cooperative)	Lidzbark	The acquisition is necessary as the commercial space in which the business is conducted is owned by the cooperative;		
"Beskidzkie Towarzystwo Kapitałowe" S.A. (3)	43-300 Bielsko Biała, ul. Kamińskiego 19	21 520	4.37%	4.37%
"SPOŁEM" Domy Handlowe Sp. z o.o. (4)	43-100 Tychy, ul. Damrota 72	6	16.66%	16.66%
Lewiatan Podkarpacie Spółka z o.o. (5)	39-200 Dębica, ul. Drogowców 8.	170	0.59%	0.59%
Elektroniczna Sieć Handlowa Merkury Spółka z o.o. (5)	01-728 Warszawa, ul. Powązkowska 46/50	3 298	11.20%	11.20%

(1) indirectly by BOS S.A.
(2) indirectly by Expres Podlaski Sp. z o.o.
(3) indirectly by Euro Sklep S.A.
(4) indirectly by Społem Tychy Sp. z o.o.
(5) indirectly by ZKiP Lewiatan 94 Holding S.A.

10.2 Outline of Key Accounting Policies

10.2.1 Basis for Preparation of Consolidated Financial Statements

These consolidated statements have been prepared on a historical-cost basis, with the exception of financial assets, which are reported at fair value.

The Management Board of Emperia Holding S.A. approves these consolidated financial statements on the date of signing them.

10.2.2 Conformity Statement

The consolidated financial statements of Emperia Holding S.A. have been prepared in compliance with the International Financial Reporting Standards („IFRS") adopted by the European Union. The attached consolidated financial statements present in a reliable manner the financial standing of the Group, its financial performance and cash flows

10.2.3 Business Segment Reporting

A business segment is a component of an enterprise that provides products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a component of an enterprise that provides products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group operates exclusively in Poland, the regions of which—given their proximity—demonstrate similar economic conditions and the scope of risks, and thus must be seen as largely uniform. The above reasons determine the election of the business segment for the Group as the main reporting model applied for segments, with the geographical segment being only supplementary.

The following business segments are distinguished within the Group:

1 The wholesale business (Wholesale Segment) pursued by the following subsidiaries: BOS S.A., DLS S.A., Sygel-Jool S.A., Express Podlaski Sp. z o.o., DEF Sp. z o.o., Arsenal Sp. z o.o., Tradis Sp. z o.o., Alpaga-Xema Sp. z o.o., Sydo Sp. z o.o., involving wholesale distribution of goods and provision of related goods-distribution services;

2 The retail business (Retail Segment) comprised of the entire operations of the following subsidiaries: Stokrotka Sp. z o.o., Detal Koncept Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Centrum Sp. z o.o., Euro Sklep S.A., involving retail distribution and provision of related retail-distribution services;

3 The last business segment (Other Segments) includes the entire holding operation of the Issuer's Company and the operations of the other subsidiaries, Elpro Sp. z o.o., Infinite Sp. z o.o., Emperia Info Sp. z o.o. (property development and IT) and PSD S.A. Given the material consolidation exclusions and the overall limited significance (the segment does not meet any of the verge thresholds provided for under IAS 14) these are reported as a single item.

As regards geographical segments, given the above considerations, the Group does not distinguish any other segments except for the entire Poland.

The Group applies uniform accounting policies for all the segments. Business transactions between segments are on an arm's length basis; any such transactions are subject to exclusion in the consolidated financial statements.

10.2.4 Functional Currency

PLN is the functional currency and the currency of presentation for all the items of the consolidated financial statements. All the figures in the financial statements and in the explanatory notes are reported in PLN 000s (unless indicated otherwise).

The reporting in PLN 000s is due to rounding, and consequently total figures presented in these financial statements may not add up exactly to the sum to their individual components.

10.2.5 Changes in Accounting Policies Applied

The newly introduced IFRS standards and interpretations for reporting periods from 1 January 2008 had no material application to the operations of the Emperia Holding Group. The Company did not change its accounting policies in 2008.

10.2.6 Future Expected Changes in Accounting Policies

<u>New standards, their changes and interpretations which became effective as from 2008:</u>

a) IFRIC 11 "Group and Treasury Share Transactions"

IFRIC Interpretation 11 was issued by the International Financial Reporting Interpretations Committee on 2 November 2006 and applies to annual periods commencing on 1 March 2007 or after that date. The interpretation details the conditions for the application of IFRS 2 "Share-Based Payment" to payments relating to the entity's own equity instruments and to agreements providing for payment in the form of shares involving the entity's own equity instruments and equity instruments of its dominant entity.

The interpretation was applied to the settlements relating to the three-year Management Option Plan, outlined in these financial statements, Note 55 (k).

b) IFRIC 12 "Service Concession Arrangements"

IFRIC 12 interpretation was issued by the International Financial Reporting Interpretations Committee on 30 November 2006 and applies to annual periods commencing on 1 January 2008 or after that date. The interpretation contains guidelines relating to the application of the existing standards by entities participating in concession arrangements to services between the public and the private sector. IFRIC 12 relates to arrangements where the principal controls which services the operator will supply using the infrastructure, who the services will be provided to and at what price. This interpretation has not as yet been adopted by the European Union.

The interpretation does not apply to the Group's operations.

c) IFRIC 14 – IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 14 interpretation was issued by the International Financial Reporting Interpretations Committee on 9 July 2007. The interpretation specifies guidelines for identification of assets of specific employee benefit programmes, requirements of minimum funding, and their interaction. The interpretation applies to annual periods commencing on 1 January 2008 or after that date.

The interpretation does not apply to the Group's operations.

In the Group's opinion adopting the above new interpretations will not affect materially the consolidated financial statements for 2008.

New standards and interpretations which are not yet applicable and were not applied previously:

a) IFRS 8 "Operating Segments"

IFRS 8 standard was issued by the International Accounting Standards Board on 30 November 2006 and applies to annual periods commencing on 1 January 2009 or after that date. IFRS 8 replaces IAS 14 "Segment Reporting". The standard sets forth new requirements with regard to segment information disclosures, as well as information disclosures on products and services, geographical area in which operations are conducted, and key customers. IFRS 8 calls for the "management approach" to the reporting of financial results for business segments.

b) IAS 23 "Borrowing Costs"

On 29 March 2007, the International Accounting Standards Board published the amended IAS 23. It refers to the accounting treatment for borrowing costs relating to assets that take a substantial period of time to get ready for sale. In the light of the amended IAS 23 under such circumstances the costs incurred are subject to capitalisation (before the amendment they were reported directly in the profit and loss account). It applies to annual periods commencing on 1 January 2009 or after that date.

c) IFRIC 13 "Customer Loyalty Programmes"

IFRIC 12 interpretation was issued on 27 June 2007 by the International Financial Reporting Interpretations Committee, and it applies to annual periods commencing on 1 July 2008 or after that date. The interpretation sets forth the principles of accounting treatment of loyalty programmes organised by the entity for its customers, indicates the correct treatment of liabilities relating to the obligation to deliver prizes to customers as part of the loyalty programmes offered.

d) Amendments to IFRS 3 and IAS 27

The amendments to IFRS 3 and IAS 27 were issued on 10 January 2008 and will apply to business mergers and acquisitions taking place as of 1 July 2009. They relate to changes in treatment of the acquisition, staged acquisition, or merger of businesses, reporting acquisition transaction costs and the principles of recording in the event control is lost. These standards have not as yet been adopted by the European Union.

e) Amendments to IAS 1

The amendments to IAS 1 were issued on 6 September 2007 and will apply to annual periods commencing on 1 January 2009 and after that date. The amendments relate to changes of the terminology and changes to the presentation of financial statements – total income statement.

f) Amendments to IFRS 2

The amendments to IFRS 2 were issued on 17 January 2008 and will apply to annual periods commencing on 1 January 2009 and after that date. The amendments to IFRS 2 add details to the definition of conditions for vesting rights and provide the settlement method in the event the share-based payment agreement is cancelled by the parties.

g) Amendments to IAS 32 and IAS 1

The amendments to IAS 1 were issued on 14 February 2008 and will apply to annual periods commencing on 1 January 2009 and after that date. The modifications relate to classification of financial instruments z with a put option and the obligations arising only at the time of liquidation. The standard has not as yet been adopted by the European Union.

h) Corrections of IFRS 2008

In May 2008, the International Accounting Standards Board published corrections amending 20 effective standards. The majority of the amendments will apply to annual periods commencing on 1 January 2009 and after that date. This is the first standard published by IASB as part of the process of annual adjustments to incorporate secondary corrections of a less urgent nature. The standard has not as yet been adopted by the European Union.

i) Amendments to IFRS 1 and IAS 27

The amendments to the standards were issued on 22 May 2008 and will apply to annual periods commencing on 1 January 2009 and after that date. The amendments relate to the valuation of investment costs in subsidiaries, jointly-controlled entities and associated entities using IFRS for the first time and eliminate concerns relating to the requirement to retrospectively establish costs and apply the cost-based method under IAS 27, which under certain circumstances required excessive effort on the part of entities applying IFRS for the first time as well as producing unnecessary costs. The standard has not as yet been adopted by the European Union.

j) Amendments to IAS 39

The amendments to IAS 39 were issued on 31 July 2008 and will apply to annual periods commencing on 1 July 2009 and after that date. The amendments relate to the criteria for recognising an item as a hedged item. Two issues that relate to hedge accounting were clarified: recognition of inflation as a risk subject to hedging and hedge in the form of an option. The standard has not as yet been adopted by the European Union.

k) IFRIC 15 "Agreements for the Construction of Real Estate"

The interpretation was issued on 3 July 2008 and will apply to annual periods commencing on 1 July 2009 and after that date. The interpretation relates to accounting for revenues and costs of real estate construction carried out directly by the entity or subcontractors. The agreements covered by the scope of IFRIC 15 are referred to as "agreements for the construction of real estate" and may also provide for the supply of other goods and services. The interpretation specifies whether or not the relevant agreement for the construction of real estate is covered by the scope of IAS 11 or IAS 16, and when revenues from real estate construction need to be recognised. The standard has not as yet been adopted by the European Union.

l) IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

The interpretation was issued on 3 July 2008 and will apply to annual periods commencing on 1 October 2009 and after that date. The interpretation applies only to those entities which hedge exchange risk inherent in net investments in foreign operations and apply hedge accounting in accordance with IAS 39. The standard has not as yet been adopted by the European Union.

m) IFRIC 17 "Distributions of Non-cash Assets to Owners"

The interpretation was issued on 27 November 2008 and will apply to annual periods commencing on 1 July 2009 and after that date. The interpretation contains guidelines with respect to accounting for distributions of non-cash assets to shareholders: when such dividend payable needs to be recognised, in what amount it should be recorded, how to treat the differences between the balance sheet value of the assets distributed and the balance sheet value of dividend payable when accounting for it. The standard has not as yet been adopted by the European Union.

n) IFRIC 18 "Transfers of Assets from Customers"

The interpretation was issued on 29 January 2009 and will apply to annual periods commencing on 1 July 2009 and after that date. The interpretation will apply mainly to the sector of utilities. The interpretation provides guidelines for recognition of assets received from customers to be used to connect such customer to the grid or to provide the customer with services using the asset so contributed. The standard has not as yet been adopted by the European Union.

The Group is reviewing the consequences and impact of the application of the above standards and interpretations upon the future financial statements

10.2.7 Accounting Estimates

The preparation of the financial statements requires the Management Board to apply certain accounting estimates and make assumptions as to future events which can affect the value of assets and liabilities reported in the current and future financial statements. These estimates and assumptions are subject to on-going monitoring, are based on the Management Board's best of knowledge, historical experience and expectations as to future events which appear likely in the relevant situation. Still, they may include a certain margin of error and the actual performance may differ from the forecasts.

The key estimates may relate to the following balance sheet items: fixed assets and intangible assets (to the extent of useful economic life and the impairment of assets), provisions against employee benefits (bonuses, pensions, accrued leave payments), provisions against customer loyalty programmes, stock revaluation allowances, deferred tax assets and liabilities.

10.2.8 Correction of Errors

Errors may relate to the recognition, valuation, presentation or disclosure of information relating to specific items of the financial statements.

all amounts in thousands PLN

Any errors identified at the stage of preparation of the financial statements are corrected by the company in the relevant financial statements. Any errors identified in the successive periods are corrected by adjusting comparable data presented in the financial statements for the period in which the error is identified. The Group corrects errors of previous periods using the retrospective approach and by retrospective transformation of data, if practically feasible.

10.2.9 Mergers, acquisitions of shares, increases of capital in businesses

Acquisition of shares and increases of initial capital by Emperia Holding

a) **Purchase of Shares in Alpaga-Xema Sp. z o.o. in Poznań.**

Entity name and registered address	**„Alpaga-Xema" Sp. z o.o. 60-009 Poznań, ul. Kotowo 42**
Main objects of business	Food product wholesaling
Date of acquiring control	20.11.2007
Number and percentage of held shares	67 shares, 100,00 percent of shares
Cost of purchasing	PLN 4 508 000

Settlement of a business combination

The cost of purchasing

Elements of the purchasing price :

cash	4 466
directly attributable to costs of purchase:	
lawyers' service	24
due diligence	12
remaining costs connected with the transaction	6
Total cost of purchasing	**4 508**

Purchased net assets

	Fair value 12.12.2007	Book value 12.12.2007 (IAS)	Corrections	Book value 12.12.2007 (PAS)
Fixed assets	**569**	**569**	**185**	**384**
Tangible fixed assets	513	513	185	328
Investment real property				
Intangible assets				
Goodwill				
Financial assets				
Long-term receivables and other deferred income				
Deferred income tax assets	56	56		56
Current Assets	**16 643**	**16 643**		**16 643**
Stock	6 064	6 064		6 064
Receivables	7 390	7 390		7 390
Income tax withholding				
Short-term securities				

EMPERIA HOLDING S.A. all amounts in thousands PLN

Prepaid expenses	136	136		136
Cash	3 053	3 053		3 053
Other financial assets				
Assets earmarked for sale				
Long-term liabilities	**39**	**39**	**35**	**4**
Credit facilities, loans and debt securities				
Long-term liabilities				
Provisions	4	4		4
Provision against deferred income tax	35	35	35	
Short-term liabilities	**15 478**	**15 478**		**15 478**
Credit facilities, loans and debt securities				
Short-term liabilities	14 881	14 881		14 881
Income tax liabilities	106	106		106
Provisions	213	213		213
Deferred income	278	278		278
Net assets	**1 695**	**1 695**	**150**	**1 545**

Net assets	**1 695**
cost of purchasing	**4 508**
Goodwill at the date of acquiring control	**2 813**

On 8 may 2008 Company completed its convocation proceedings, as a result of which occurred redemption of individuals shares combined with the redemption of the share capital of Company. Upon completion of the convocation proceedings Emperia hold 100 percent of shares in Company. Settlement of owners of decommitted shares was covered by supplementary capital - surplus over the nominal value, which was generated at the time of acquisition new shares by Emperia Holding S.A. This state justifies present of net assets of Company on acquisition date reduced of redemption of shares and liability. Redemption of shares resulted in reduced of supplementary capital and inclusion in liabilities amount of PLN 4 466 000.

Goodwill

Goodwill on acquisition date as a result of final settlement is PLN 2 813 000. Goodwill has been calculated by based on net assets identified for first phase of acquisition plus result generated till date of acquisition. Disclosed goodwill of Company includes intellectual capital, contracts with customers and related with them customer relationships, however due to the lack of opportunities to reliable estimate of their fair value, Company departed from their identification as a separate intangible asset in the settlement of merger.

b) Purchase of Shares in Sydo Sp. z o.o. in Wrocław.

Entity name and registered address	**„Sydo" Sp. z o.o. 53-166 Wrocław, ul. Krzywoustego 82-86**
Main objects of business	Food product wholesaling
Date of acquiring control	29.11.2007
Number and percentage of held shares	80 shares, 50,00% shares (**Date of acquiring control**) On 8.05.2008 Company completion the convocation proceedings, as a result of which Emperia hold 100 percent of shares in Company
Cost of purchasing	PLN 22 510 000

all amounts in thousands PLN

Settlement of a business combination

The cost of purchasing

Elements of the purchasing price:

cash	22 468
directly attributable to costs of purchase:	
lawyers' service	24
due diligence	12
remaining costs related with the transaction	6
Total cost of purchasing	**22 510**

Purchased net assets

	Fair value 12.12.2007	Book value 12.12.2007 (IAS)	Corrections	Book value 12.12.2007 (PAS)
Fixed assets	**2 111**	**2 111**	**567**	**1 544**
Tangible fixed assets	1 723	1 723	567	1 156
Investment real property				
Intangible assets	95	95		95
Goodwill				
Financial assets				
Long-term receivables and other deferred income				
Deferred income tax assets	293	293		293
Current Assets	**53 187**	**53 187**		**53 187**
Stock	13 213	13 213		13 213
Receivables	19 515	19 515		19 515
Income tax withholding				
Short-term securities				
Prepaid expenses	273	273		273
Cash	20 186	20 186		20 186
Other financial assets				
Assets earmarked for sale				
Long-term liabilities	**127**	**127**	**108**	**19**
Credit facilities, loans and debt securities				
Long-term liabilities				
Provisions	19	19		19
Provision against deferred income tax	108	108	108	
Short-term liabilities	**42 691**	**42 691**		**42 691**
Credit facilities, loans and debt securities				
Short-term liabilities	42 101	42 101		42 101
Income tax liabilities	193	193		193
Provisions	387	387		387
Deferred income	10	10		10
Net Assets	**12 480**	**12 480**	**459**	**12 021**

	thousands PLN
Net assets allocated to acquired share 100%	**12 480**
Costs of purchasing	**22 510**

Goodwill at the date of acquiring control **10 030**

On 8 may 2008 Company completed its convocation proceedings, as a result of which occurred redemption of individuals shares combined with the redemption of the share capital of Company. Upon completion of the convocation proceedings Emperia hold 100 percent of shares in Company. Settlement of owners of decommitted shares was covered by supplementary capital - surplus over the nominal value, which was generated at the time of acquisition new shares by Emperia Holding S.A. Redemption of shares resulted in reduced of supplementary capital and inclusion in liabilities amount of PLN 22 468 000.

Goodwill

Goodwill on acquisition date as a result of final settlement is PLN 10 030 000. Goodwill has been calculated by based on net assets identified for first phase of acquisition plus result generated till date of acquisition. Disclosed goodwill of Company includes intellectual capital, contracts with customers and related with them customer relationships, however due to the lack of opportunities to reliable estimate of their fair value, Company departed from their identification as a separate intangible asset in the settlement of merger.

c) Increase of Share Capital of Detal Koncept Sp. z o.o. Subsidiary (former Groszek Sp. z o.o.)

On 23 January 2008 District Court in Lublin registered increase of the Detal Koncept Sp. z o.o.. share capital. Following the increase, the Company's share capital comprises 6,606 shares of PLN 500 each, of the aggregate value of PLN 3,303,000.
On 25 February 2008 District Court in Lublin registered increase of the Detal Koncept Sp. z o.o.. share capital. Following the increase, the Company's share capital comprises 8 606 shares of PLN 500 each, of the aggregate value of PLN 4 303 000.
On 12 January 2009 appropriate entry was made and on 21 January 2009 District Court in Lublin registered increase of the Detal Koncept Sp. z o.o.. share capital. Following the increase, the Company's share capital comprises 28 606, shares of PLN 500 each, of the aggregate value of PLN 14 303 000.

d) Purchase of Shares in Lewiatan Dolny Slask Sp. z o.o.

On 7 February 2008 Emperia Holding S.A. acquired 98.98 percent of shares in a Polish limited liability company Lewiatan Dolny Slask Sp. z o.o. (“Company”) with its registered office in Zgorzelec.. Emperia acquired from individuals being the Company’s shareholders 194 shares of the nominal value of PLN 500 each, representing 98.98 percent of the share capital and 98.98 percent of votes at the general meeting of shareholders. The shares in the Company were acquired for the aggregate amount of PLN 893,000. Lewiatan Dolny Slask Sp. z o.o. is the franchisor of a FMCG retail franchise comprised of 100 outlets located in the Dolny Slask Region of Poland operating the total of 11,000 sq. m of selling space The purchase of shares in Lewiatan Dolny Slask Sp. z o.o. was financed with Emperia’s internal cash flows.

e) Increase of Share Capital of Emperia Holding S.A. Following Court Registration of Ł and M Series Shares

On 12 February 2008 District Court in Lublin registered increase of the Emperia Holding S.A. share capital. Following the court registration of the Ł and M series shares, the share capital of Emperia was increased by PLN 222,532 (including 140,388 Ł series shares of the nominal value of PLN 1.00 per share and 82,144 M series shares of the nominal value of PLN 1.00 per share) and currently amounts to PLN 14,992,732. After registration, the share capital of Emperia comprises 14,992,732 shares representing 14,992,732 votes at the general meeting of shareholders. The Ł and M series shares have been issued as part of the authorized capital to finance the purchase of shares in Polish limited liability companies Maro Markety Sp. z o.o. and Centrum Sp. z o.o..

EMPERIA HOLDING S.A. all amounts in thousands PLN

f) Increased Share Capital of Euro Sklep S.A. Subsidiary

On 13 February 2008 District Court in Bielsku-Białej registered increase of the share capital in its subsidiary joint stock company, Euro Sklep S.A. ("Company"), by PLN 5,000,360. Following the registration of the increase, the share capital of the Company comprises 13,426 shares of PLN 410 each, totaling PLN 5,504,660.
Emperia Holding S.A. holds 100 percent of shares in the share capital of Euro Sklep S.A., carrying 100 percent of votes at the general meeting of shareholders.

g) Purchase of Shares in Lewiatan Zachód Sp. z o.o.

On 28 February 2008 Emperia Holding S.A. purchase 100 percent of shares in Polish limited liability company Lewiatan Zachód Sp. z o.o. ("Company") having its registered office in Szczecin. Emperia purchased from private shareholders 105 shares of the nominal value of PLN 600 each, representing 100 percent of the share capital and carrying 100 percent of votes at the general meeting of shareholders. The shares were purchase for the total amount of PLN 1,500,000. Lewiatan Zachód Sp. z o.o. is the franchisor of a FMCG retail franchise currently comprised of 180 outlets located in the Zachodniopomorskie Region of Poland operating the total of 24,000 sq. m of selling space.
The equity investment in Lewiatan Zachód Sp. z o.o. was financed with Emperia's internal cash flows.

h) Further Purchase of Shares in Społem Tychy Sp. z o.o.

During the period from 11 March to 25 June 2008 Emperia Holding S.A. purchased from private shareholders of the „Społem" Tychy Sp. z o.o. 8.269 shares carrying 4,83 percent of votes at the General Meeting of Shareholders Of „Społem" Tychy Sp. z o.o..
Following the above acquisition Emperia Capital Group holds 144 501 shares of „Społem" Tychy Sp. z o.o. carrying 84,37 percent of votes at the General Meeting of Shareholders of „Społem" Tychy Sp. z o.o..

	thousands PLN
Net assets at the date of acquisition	9 926
Net assets corrected to purchase share 4,83%	479
cost of the acquisition	585
Goodwill	**106**

i) Purchase of Shares in Lewiatan Orbita Sp. z o.o.

On 24 April 2008 Emperia Holding S.A. purchase of shares in Polish limited liability company Lewiatan Orbita Sp. z o.o. ("Company") having its registered office in Olsztyn.. Emperia Holding S.A. purchased from private shareholders of the Company 119 shares of the nominal value of PLN 500 each, representing 40.89 percent of the share capital and carrying 54.01 percent of votes at the General Meeting of Shareholders.
Following the above acquisition, Emperia Holding S.A. holds directly or indirectly through its subsidiaries 100 percent of the Company's share capital, carrying 100 percent of votes at the General Meeting of Shareholders. The shares were purchased for the total of PLN 700,500.

j) Increase of Share Capital of Emperia Holding S.A. Following Registration by Court of N Series Shares

On 06 June 2008 District Court in Lublin registered increase of the Emperia Holding S.A. share capital.
Following registration of the N series shares by the court, the share capital of Emperia was increased by PLN 122,429 and currently amounts to PLN 15,115,161 (fifteen million one hundred and fifteen thousand one hundred and sixty-one zloty). After registration, the share capital of Emperia comprises 15,115,161 shares of the nominal value of PLN 1.00 each, representing 15,115,161 votes at the general meeting of shareholders. Prior to registration,

the share capital of the Company totaled PLN 14,992,732 and comprised 14,992,732 shares of the nominal value of PLN 1.00 each, representing 14,992,732 votes at the general meeting of shareholders.
The N series shares have been issued as part of the authorized capital to finance the purchase of shares in Polish limited liability companies Sydo Sp. z o.o and Alpaga-Xema Sp. z o.o. (the issue of shares as part of the authorized capital is governed under Article 7a of the Articles of Association of Emperia Holding S.A.).

k) Purchase of Shares in Lewiatan Śląsk Sp. z o.o.

On 17 June 2008 Emperia Holding S.A. purchased from private shareholders of the Lewiatan Śląsk Sp. z o.o. 9 shares representing 13,24 percent of the share capital and carrying 13,24 percent of votes at the General Meeting of Shareholders.
Following the above acquisition, Emperia Holding S.A. holds 43 shares of Lewiatan Śląsk Sp. z o.o. representing 63,24 percent of the share capital and carrying 63,24 percent of votes at the General Meeting of Shareholders..

l) Purchase of Shares in Joint-Stock Company Zwiazek Kupców i Producentów Lewiatan'94 Holding S.A. in Włocławek

The Management Board of Emperia Holding S.A.is inform that the Chairman of the Office of Competition and Consumer Protection ("UOKiK") cleared concentration by acquisition of a Polish joint-stock company, Zwiazek Kupców i Producentów „Lewiatan 94" Holding S.A. ("Company") in Włocławek.
Emperia purchased from the Company's shareholders, both individuals and legal entities, 250,040 shares of the nominal value of PLN 1 each, representing 18.52 percent of the share capital, carrying 33.34 percent of votes at the General Meeting of the Company's Shareholders. The shares were purchase for the total of PLN 1,250,200.
Emperia is entitled, directly or indirectly through its subsidiaries, to 52.16 percent of votes at the General Meeting of the Company's Shareholders, and thus Emperia Holding S.A. has effectively taken control of Zwiazek Kupców i Producentów „Lewiatan 94" Holding S.A.

m) Conditional Increase of Share Capital of Emperia Holding SA

On 28 August 2008 The Management Board of Emperia Holding S.A. received a decision of the District Court in Lublin of 22 August 2008 on the registration of a conditional increase of the share capital of Emperia Holding ("Company") by PLN 450,000.
The increase of the share capital is part of the Emperia Holding S.A. management option programme, adopted by the Extraordinary General Meeting of Shareholders of the Company ("EGMS") on 26 June 2008.
The increase of the Company's share capital is conditional. For the detailed terms of the management option programme, including without limitation as regards fulfillment of the condition precedent for the increase, see Resolutions 26 and 27 of EGSM of 26 June 2008.

n) Acquisition of an interest in a newly established Polish limited liability company Emperia Info Sp. z o.o. with its registered seat in Lublin..

On 12 September 2008 , Emperia Holding S.A. acquired an interest in a newly established limited liability company operating under the business name of Emperia Info Sp. z o.o. ("Company").
Emperia Holding SA has acquired 100 shares of the nominal value of PLN 500 each and of the aggregate nominal value of PLN 50,000 (fifty thousand zloty). The shares subscribed have been covered with a cash contribution of PLN 50,000 (fifty thousand zloty). The shares acquired represent 100 percent of the share capital of Emperia Info Sp. z o.o. and carry 100 votes (100%) at the Company's Meeting of Shareholders. The book value of the interest acquired as recorded by Emperia is PLN 50,100 as at 12 September 2008.
The Company markets IT and communications solutions, supplies IT systems, and ensures their effective operation.

o) Acquisition of shares in Lewiatan Śląsk with its seat in Sosnowiec

On 27 October 2008, Emperia Holding acquired from certain individuals a block of 6 shares in a Polish limited liability company, Lewiatan Śląsk Sp. z o.o. with its seat in Sosnowiec, which—alongside the shares already held by its subsidiary, Sygel-Jool S.A.—represent 72.06 percent of the voting power at the general meeting of shareholders and account for 72.06 percent of the initial capital of Lewiatan Śląsk Sp. z o.o..

EMPERIA HOLDING S.A. all amounts in thousands PLN

p) Sale of shares in subsidiary company Berti – Magazyn Centralny Sp. z o.o.

On 29 October 2008, a subsidiary limited liability company, Stokrotka Sp. z o.o., concluded a share purchase agreement regarding shares in a subsidiary limited liability company, Berti-Magazyn Centralny Sp. z o.o. with its seat in Szczecin. Stokrotka Sp. z o.o. sold to a third-party individual, unrelated to the Emperia Group, 747 shares representing 100 percent of the initial capital and 100 percent of the voting power at the general meeting of shareholders of Berti-Magazyn Centralny. The interest was sold for the total of PLN 4,200 (four thousand two hundred zloty). The price corresponds to the value of the company's net assets. The nominal value of 1 share is PLN 500. Berti-Magazyn Centralny Sp. z o.o. was excluded from consolidation of the Emperia Group.

q) Acquisition of further shares in Społem Tychy Sp. z o.o.

On 19 December 2008, Emperia Holding acquired from certain individuals 20 shares in a Polish limited liability company, Społem Tychy Sp. z o.o. with its seat in Tychy, which—alongside the shares already held, either directly or indirectly—carry 84.38 percent of the voting power at the general meeting of shareholders and account for 84.38 percent of the initial capital of Społem Tychy Sp. z o.o. On 29 December 2008, Emperia Holding acquired from certain individuals 20,730 shares in Społem Tychy Sp. z o.o. with its seat in Tychy, which— alongside the shares already held, either directly or indirectly—carry 96.49 percent of votes at the general meeting of shareholders and represent 96.49 percent of the initial capital of Społem Tychy Sp. z o.o.

	thousands PLN
Net assets at the date of acquisition	11 473
Net assets corrected to acquired share 12,12%	1 391
Cost of the acquisition	1 436
Goodwill	**45**

r) Acquisition of further shares in Lewiatan Opole Sp. z o.o.

On 22 December 2008, Maro Markety Sp. z o.o. acquired from a legal person 108 shares in a Polish limited liability company, Lewiatan Opole Sp. z o.o. with its seat in Opole, which—alongside the shares already held indirectly—represent 51.58 percent of the voting power at the Meeting of Shareholders and account for 51.58 percent of the initial capital of Lewiatan Opole Sp. z o.o.

s) Acquisition of further shares in Lewiatan Wielkopolska Sp. z o.o.

On 4 December 2008, Emperia Holding S.A. acquired from a legal person 7 shares in a Polish limited liability company, Lewiatan Wielkopolska Sp. z o.o. with its seat in Poznań, which—alongside the shares already held, either directly or indirectly—carry 68.57 percent of the voting power at the general meeting of shareholders and represent 68.57 percent of the share capital of Lewiatan Wielkopolska Sp. z o.o.

<u>**Internal Mergers within Emperia Holding Group**</u>

a) Merger of subsidiaries Detal Koncept Sp. z o.o. (previously Groszek Sp. z o.o.), Milea Sp. z o.o. and Polka Sp. z o.o.

On 02 January 2008, District Court in Lublin registered merger of subsidiaries Detal Koncept Sp. z o.o., Milea Sp. z o.o. and Polka Sp. z o.o. Merger was made by transferring entire assets of Milea Sp. z o.o. and Polka Sp. z o.o. (acquired company) to Detal Koncept Sp. z o.o. (acquiring company). Acquired Company is single-member company of acquiring company, therefore connection has been made without raising of share capital of acquiring company. Following the merger, Company operates as a Detal Koncept Sp. z o.o..

b) Carrying by partners the company Detail Idea of returnable extra charges for capital

Extraordinary Meeting of Shareholders of „Detal Koncept" Sp. z o.o. with its seat in Lublin, on the basis of § 12 Partnership Contract, committed members of Company to make payments in the following values:

- 06 march 2008 in the amount of PLN 1 000 000
- 07 April 2008 in the amount of PLN 600 000
- 28 April 2008 in the amount of PLN 700 000
- 28 May 2008 in the amount of PLN 1 000 000
- 25 June 2008 in the amount of PLN 1 000 000
- 13 October 2008 in the amount of PLN 700 000

Shareholders are committed to make payments equally to held shares - namely Emperia Holding S.A. with its seat in Lublin, as a sole shareholder of „Detal Koncept" is committed to pay amounts listed above.

c) Sale of shares in Jaskółka Sp. z o.o. by BOS S.A. and Emperia Holding S.A. to Detal Koncept Sp. z o.o.

On 8 April 2008 the following share purchase agreements were concluded, internal to the Emperia Group:

● An agreement under the terms of which BOS SA joint-stock subsidiary sold to Detal Koncept Sp. z o.o. limited liability subsidiary 12,200 shares representing 75.3 percent of the share capital and 75.3 percent of the votes at the general meeting of shareholders of Polish limited liability company Jaskółka Sp. z o.o. with its registered office in Białystok ("Company"). The interest in the Company was purchased for the aggregate price of PLN 8,540,000 (eight million five hundred and forty thousand zloty), that is at PLN 700 per share. The nominal value of 1 share is PLN 500.

●. An agreement under the terms of which Emperia sold to Detal Koncept Sp. z o.o. subsidiary 2,000 shares representing 12.3 percent of the share capital and 12.3 percent of the votes at the general meeting of shareholders of the Company. The interest in the Company was purchased for the aggregate price of PLN 1,400,000 (one million four hundred thousand zloty), that is at PLN 700 per share. The nominal value of 1 share is PLN 500.

The transaction complete, Detal Koncept Sp. z o.o. became the holder of 100 percent of shares in the Jaskółka. The purpose of the transaction was merger of Detal Koncept and Jaskółka – detailed description contains note 10.2.9 g).

d) Increase of Share Capital of Retail Services Poland S.A. Subsidiary. (new name Partnerski Serwis Detaliczny S.A.)

On 16 April 2008 District Court in Warsaw regarding registration of the increased share capital of Retail Services Poland S.A. joint-stock subsidiary ("Company") by PLN 3,000,000.
Following the increase, the Company's share capital comprises 4,000,010 shares of PLN 1 each, of the aggregate value of PLN 4,000,010. Emperia Holding S.A. holds 100% of shares in the share capital of Retail Services Poland S.A. carrying 100% of votes at the General Meeting of Shareholders.

e) Increase of Share Capital of Subsidiary Limited Liability Company Elpro Sp. z o.o.

On 6 June 2008. District Court in Lublin regarding registration of the increased share capital of a subsidiary limited liability company Elpro Sp. z o.o. ("Company") by PLN 20,000,000.
Following the registration, the share capital of the Company is comprised of 80,626, PLN 500 each share, of the aggregate value of PLN 40,313,000.00. Emperia Holding SA holds 100% of the share capital of Elpro Sp. z o.o. carrying 100% of votes at the general meeting of shareholders.

f) Completion of convocation proceedings in Sydo Sp. z o.o.

On 8 May 2008 by order of District Court in Wrocław, convocation proceedings was completed in a Sydo Sp. z o.o. subsidiary, as a result of which occurred redemption of individuals shares combined with the redemption of the share capital of Company in the amount of PLN 40 000. Upon completion of the convocation proceedings Emperia hold 100 percent of shares in Company. Settlement of owners of decommitted shares was covered from share capital and supplementary capital (of surplus over the nominal value, which was generated at the time of acquisition new shares by Emperia Holding S.A). A detailed description of the acquisition of Sydo contains note 10.2.9 b).

g) Merger of subsidiaries Detal Koncept Sp. z o.o. and Jaskółka Sp. z o.o.

On 01 July 2008 the District Court in Lublin registered merger of subsidiaries Detal Koncept Sp. z o.o. and Jaskółka Sp. z o.o. Merger was made by transferring entire assets of Jaskółka Sp. z o.o. (acquired company) to Detal Koncept Sp. z o.o. (acquiring company).
Acquired Company is single-member company of acquiring company, therefore connection has been made without raising of share capital of acquiring company. Following the merger, Company operates as a Detal Koncept Sp. z o.o..

h) Acquisition of shares within Emperia Group

On 6 November 2008, Emepria Holding S.A. with its seat in Lublin acquired 2,040 newly issued shares, of the nominal value of PLN 500 PLN per share and the issue value of PLN 10,521.57 PLN per share, in the increased initial capital of Stokrotka Sp. z o.o. ("Stokrotka") by contributing in kind 600 shares in a Polish limited liability company Centrum Sp. z o.o. ("Centrum") with its seat in Bartoszyce, of the nominal value of PLN 500 per share and the market value of PLN 35,773.33 per share. As a result of the above acquisition, Stokrotka acquired a 100 percent interest in the initial capital of Centrum.

All companies involved in the transaction belong to the Emperia Group of Companies. Centrum and Stokrotka operate in the same business of food product retailing.

Mergers, acquisitions of shares, increases of share capital in businesses after the balance sheet date

The mergers and initial capital increases in businesses effected after the balance sheet date are outlined in Note 51.

10.2.10 Tangible fixed assets

The Group recognises as individual fixed assets things capable of use, meeting the requirements set forth for fixed assets in IAS 16, if the purchase price (cost of construction) is at least PLN 1,000, with the exception of:

- computer hardware,
- pallet trucks;
- shop trolleys;
- high-storage racks,
- lockers,

which, given the specific nature of the Company's operations, taken together constitute a material asset, and thus are recognised as fixed assets by the Group, regardless of the purchase price (cost of construction).

On the other hand, also given the specific nature of the Company's operations, the following items— despite meeting the value requirement—are not recognised as fixed assets by the Group:

- store furniture,
- strip curtains,

and in this particular case the value threshold has been increased to PLN 3,500.

Fixed assets are reported at purchase price or cost of construction less depreciation to date and allowances for impairment, if any.

Fixed assets under construction and lease improvements are also recognised by the Group as fixed assets and law of perpetual using of ground.
The initial value of fixed assets comprises the purchase price plus all purchase-related costs and costs necessary to bring the asset to working condition for its intended use. The initial value includes also the respective portion of external financing costs.

The upgrade costs are recognised as part of the balance sheet value of fixed assets if it is likely that the upgrade will improve economic benefits for the Group and the upgrade costs can be reliably measured. All other fixed asset repair and maintenance expenditures are recorded as costs in the profit and loss account in the reporting period in which they are incurred.

Land is not depreciated. The other fixed assets are depreciated over their useful economic life on a straight-line basis, from the month following the month in which the asset is brought into use. The Group has adopted the following economic useful life periods for the various categories of fixed assets:

Buildings and structures	10 to 40 years
Machinery and equipment	5 to 10 years
Computer hardware	1.5 to 5 years
Vehicles	5 to 7 years
Other	5 to 10 years

The Group reviews periodically, not later than at the end of the financial year, the adopted economic useful life periods for fixed assets, final value and depreciation methods, and the effects of changes in these estimates, if any, are reflected in the following and subsequent financial years (prospectively).

Given the specific nature of the Group's operations, the Group is often required to undertake leasehold improvements. This applies to warehousing and retail facilities held by the Group under lease. As regards those assets, the Group sets the economic useful life for its expenditures which does not always corresponds with the term of the lease agreement in effect at a given time. If the lease term is shorter than the expected depreciation period, assets impairment allowances are charged and recognised as other operating expense in the profit and loss account. In the event the term of the lease is extended, the relevant part of the allowance made is reversed.

As at the balance sheet date, the Group also reviews fixed assets for impairment and the need to make revaluation allowances on these grounds. This happens once the Group obtains sufficient assurance that the relevant asset will not generate the expected economic benefits in the future or will generate them at a level that is significantly lower than expected.

The allowances are charged against other operating expense in the period in which impairment is identified, not later than at the end of the financial year.

If the Group obtains sufficient assurance that the cause for asset revaluation have ceased, it reverses the revaluation allowance previously effected in part or in full by recognising other operating income.

At the time of disposal of fixed assets, the initial value and the depreciation to date are derecognised, and the disposal result is recorded as other operating income or expense, as the case may be, in the profit and loss account. The fixed asset disposal result is reported as profit or loss, as appropriate.

The costs of day-to-day operation of fixed assets, including replacement of parts, are recognised in the profit and loss account when incurred.

10.2.11 Costs of external financing

Commissions on long-term financing contracted by the Group are accounted for over time at the adjusted purchase price (amortised cost) using the effective interest rate method.

The costs of external financing contracted to purchase or construct a fixed asset incurred until the fixed asset is brought into use are capitalised as a component of the purchase or construction of the asset.

In the other cases, external financing costs are recognised in the profit and loss account. For the Group external financing over one year is long-term financing.

10.2.12 Fixed assets for sale

The Group classifies fixed assets for sale (or a category of fixed assets for sale) as disposable if it decides that their carrying value will be recovered by disposal rather than continued use as part of business operations. The condition is deemed fulfilled when the disposal transaction is highly likely to take place, and the asset (category of assets) is available for immediate disposal as it is at the given moment. Classifying fixed assets as disposable rests on the assumption that the management board of the company intends to complete the disposal within a period of one year from the date of fixed asset reclassification.

The Group carries a fixed asset (or a category of fixed assets for sale) classified as disposable at the lower of the balance sheet value and fair value less cost of sale.

10.2.13 Intangible assets

Intangible assets are carried at purchase price adjusted for depreciation to date and impairment allowances, if any.

The Group has adopted the following useful life periods for the various categories of intangible assets:

Trademarks and licences	5 years
Software and copyrights	2 to 5 years
Proprietary interests	5 years

Depreciation of intangible assets is recorded in the profit and loss account as operating expense (administrative expense and selling expense).
The Group holds no intangible assets with an indefinite useful life.

Goodwill is not subject to depreciation. It is annually tested for impairment.

Intangible assets acquired as part of mergers are identified separately from goodwill providing they meet the definition of intangible assets and their fair value can be reliably measured. After the initial recognition at fair value, in subsequent period such intangible assets are treated in the same way as assets acquired under separate transactions.

Computer software purchased is activated up to the cost of purchase and the cost of preparation and implementation for its intended use. Any costs relating to the development and maintenance of software are charged against costs on the date of being incurred.

The Group reviews periodically, not later than at the end of the financial year, the adopted economic life periods, final value, and depreciation methods of intangible assets, and the effects of changes in these estimates, if any, are reflected in the following and subsequent financial years (prospectively).

As at the balance sheet date, the Group also reviews intangible assets for impairment and the need to make revaluation allowances on these grounds. This happens once the Group obtains sufficient assurance that the relevant asset will not generate the expected economic benefits in the future or will generate them at a level that is significantly lower than expected.

The allowances are charged against other operating expense in the period in which impairment is identified, not later than at the end of the financial year.

If the Group obtains sufficient assurance that the cause for asset revaluation have ceased, it reverses the revaluation allowance previously effected in part or in full by recognising other operating income.

10.2.14 Investments and other financial assets

Investments in real property

Investment real properties are those real properties which are treated by the Company as a source of income from rent and/or which the Company retains with a view to their expected appreciation in value. The investments in real property are initially recognised at price of purchase or cost of construction.

The carrying value includes costs of transaction. The purchase price of real property investments acquired by way of merger of businesses corresponds to their fair value as at the date of merger. On the balance sheet date, investment real properties are reported at the purchase price or cost of construction less accumulated depreciation and impairment allowances.

Real property investments (except for land) are depreciated on a straight-line basis over the expected useful life of the relevant fixed asset.

A real property investment is removed from the balance sheet when sold or withdrawn from use if no benefits are expected to be generated in the future on its sale.

Investments and other financial assets falling within IAS 39 standard

Investments in other financial assets falling with the scope of the IAS 39 standard are classified as follows:

a) financial assets recognised at fair value through profit or loss;
b) loans and receivables;
c) investments held to maturity;
d) financial assets available for sale.

Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable.

The classification of financial assets is made at their initial recognition, and where it is permissible and appropriate, the classification is reviewed at the end of each financial year.

a) <u>Financial assets recognised at fair value through profit or loss</u>

Financial assets recognised at fair value through profit or loss include marketable assets and the financial assets which upon initial recognition were classified as measured at fair value through profit or loss.

Financial assets are classified as marketable if they are bought for resale in a short period of time. Derivatives are also classified as marketable, unless they are recognised as effective hedging instruments or financial guarantee agreements. Profit or loss on marketable investments is reported in the profit and loss account.

At the time of initial recognition financial assets may be classified as measured at fair value through profit or loss if the following criteria are met:

- such classification eliminates or significantly reduces incoherence of treatment when both the measurement and principles of recognising losses or profits are subject to other regulations; or
- assets are part of a category of financial assets which are managed and measured at fair value in accordance with a documented risk management strategy; or
- financial assets include embedded derivatives which require separate recognition.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, capable of being held to maturity, which are not traded on an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

c) Investments held to maturity

The non-derivative financial assets, with fixed or determinable maturity, that the Company definitely intends and is able to hold to maturity are classified as investments held to maturity.

The investments that the Company intends to hold over an indefinite time are not part of this category. Other long-term investments, such as bonds, which the Company intends to maintain to maturity are recognised at amortised cost. Amortised cost is the amount at which a financial asset is measured when initially recognised, less principal repayments, and plus or minus the accumulated amortisation using the effective interest rate of all differences between the initial value and the value at maturity. The amortised cost includes all commissions and interest paid and received by the parties to the agreement as an inherent part of the interest rate, transaction costs and all premiums or discounts. Gains or losses on investments measured at amortised cost are recognised in the profit and loss account at derecognition of the investment from the balance sheet or upon impairment, and also as a result of amortisation.

The same principles of as those used for measuring fixed assets apply to long-term investments in real property. To the extent of transactions involving long-term tangible investments, relating to the determination of the financial result such as: sales, disposal, maintenance costs, the effects of those transactions are recognised respectively as other income and operating expense.

d) Financial assets available for sale

The financial assets available for sale are non-derivative instruments which are classified as available for sale or which are not:

- loans and receivables;
- investments held to maturity; or
- financial assets recognised at fair value through profit or loss.

Financial assets available for sale are measured at fair value as at the balance sheet date.

Impairment of financial assets

An assessment is made on each balance sheet date, as to whether there is objective evidence of impairment of a financial asset or a category of financial assets.

If such evidence exists with respect to financial assets available for sale, the aggregate losses to date recognised in equity—established as the difference between the purchase price and the current fair value, less any impairment recognised earlier in the profit and loss account—are derecognised from equity and recognised in the profit and loss account. Any impairment recorded in the profit and loss account with respect to equity instruments is not subject to reversal in correspondence to the profit and loss account. The reversal of impairment losses on financial debt securities is recognised in the profit and loss account if, in the following periods, after the impairment is recognised the fair value of such financial instruments increases as a result of events occurring after impairment recognition.

If there is evidence as to the likely impairment of loans and receivables, the impairment loss is determined as the difference between the balance sheet value of assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is an effective interest rate calculated at the initial recognition for assets based on the fixed interest rate and the effective interest rate established at the time of last revaluation of assets based on variable interest rate). Impairment losses are recorded in the profit and loss account. The reversal of impairment losses is recognised if, in the following periods, the impairment is reduced and the reduction can be attributed to events that occur after recognition. Upon reversal of impairment loss, the carrying amount of financial assets may not exceed the amortised cost which would be established if the impairment loss had not been recognised previously. The reversal of impairment is recognised in the profit and loss account.

If there is indication of impairment of unlisted equity instruments which are recognised at cost of purchase (as a reliable measurement of the fair value is not possible), the impairment loss is determined as the difference between the carrying value of the asset and the present value of estimated future cash flows discounted at similar financial assets' present market rate of return.

Derivatives

On the balance sheet date derivatives are measured at fair value. Derivatives whose fair value is above zero constitute financial assets and are recognised as financial assets, and derivatives whose fair value is negative constitute financial liabilities and are recognised as financial liabilities.

The estimated fair value corresponds with the amount which can be obtained or which must be paid to close up the positions opened as at the balance sheet date. The measurement is based on market quotations.

Recognising the effects of changes in fair value or gains and losses at the exercise of derivatives depends on their purpose. Derivatives are divided into hedging instruments and commercial instruments. The hedging instruments fall into instruments hedging fair value and instruments hedging future cash flows.

Recognising commercial derivatives

Gains and losses resulting from changes in the fair value of a commercial derivative upon measurement as at the balance sheet date or at exercise are recognised as financial income/gain in the profit and loss account in the period in which they arise.

Recognising protecting derivatives

Protecting, for purposes of the bookkeeping, consists in compensating between himself for get scores as a result of changes of fair value or changes of flows of financial means resulting from the protecting instrument and the protected position. With this consolidated financial report in the period grasped the Group practiced protecting changes of flows of financial means by the bookkeeping concerning protections and protecting fair value
Profit and loss resulting from the change of fair value of the instrument protecting financial flows presents in the separate position of own capital- revaluation capital, in such a part, in which the given instrument constitutes the effective protection bound with it. The ineffective part is being taken back as financial costs or financial incomes for the profit and loss account.
Profit and loss resulting from changes of fair value of the instrument protecting in the effective part they are taking the profit and loss account away in the position appropriately for taking hold of changes of fair value of protected position. The ineffective part is being taken back as financial costs or financial incomes for the profit and loss account.

10.2.15 Lease financing

A lease financing agreement, under which substantially all the risks inherent in and benefits deriving from ownership are vested in the Company, is classified as a financial lease. The leased object is recognised in assets on the date of commencement of the lease at the lower of the following amounts: fair value of the leased object or the current value of the minimum lease payments.

Each lease payment is divided into the amount reducing the liability and the amount of financial costs in a way that ensures maintaining a fixed rate with respect to the outstanding portion of the liability. The interest portion of the lease payment is reported as financing expense in the profit and loss account throughout the lease term. Depreciated assets acquired under lease financing are depreciated throughout the shorter of the useful life of the assets, taking into account the residual value, and the lease term.

A lease financing agreement, under which the lessor (financing party) retains a significant part of the risk inherent in and benefits deriving from ownership, represents an operating lease. In the event of land lease financing, unless the legal title to the land passes onto the lessee prior to the expiry of the lease term, such lease is classified as an operating lease.

Lease payments effected under an operating lease (less any promotions offered by the lessor (financing party), are charged against costs on a straight-line basis throughout the lease term

10.2.16 Stock

Stock is carried at the purchase price or cost of construction, not higher however than the net selling price. The net selling price corresponds to the estimated selling price of stock plus the costs of effecting stock sale or of identifying the purchaser (that is the selling expense, marketing costs, etc.). As the majority of the Group's suppliers of goods quote prices on an ex customer warehouse basis, the Group does not include transport costs in the purchase price.

The cost is calculated using the average weighted method in the case of the wholesale business and FIFO in the case of the retail business.

The Group revaluates stock based on the stock ratio and the assessment of its marketability within the shelf life or economic use. New revaluation allowances and reversals of earlier allowances are recognised as operating (sale) expense in the profit and loss account.

Price rounding on stock purchases is recognised directly in the profit and loss account, including cost of goods sold.

Stock losses and the negative balance of stocktaking shortages which are found not to have occurred due to a fault are recorded as operating expense

10.2.17 Accounts receivable and other receivables

Receivables of supplies and services and other accounts receivable after initial recognition are valued in amount of amortized cost using effective interest rate , including impairment allowances , while receivables of supplies and services with date of maturity less than 365 days from date of emergence receivables are not discounted.

Revaluation allowances are made when there is objective evidence to suggest that the Group will not be able to recover all amounts payable to it under the original terms of the receivables.

The Group makes receivables revaluation allowances for specific buyers. The Group may also make collective revaluation allowances with respect to numerous but small receivables. The detailed terms of measuring receivables revaluation allowances are set forth under the Terms of effecting receivables revaluation allowances. A revaluation allowance is recorded as other expense. The reversal of an earlier allowance is recognised as other income and derecognised as a revaluation allowance. Revaluation allowances are recorded in the profit and loss account as per account balance, as appropriate, as other expense or other income.

As required under the prudence principle, default interest on delayed receivables is recognised at the time the funds are credited to the Group.

Not-constituting financial assets are recognized initially at their nominal value , at the balance sheet date are valued at the amount payable

All prepayments, among others, on future deliveries of goods and services, fixed assets under construction, shares, intangible assets, etc. are recorded as other receivables.

10.2.18 Prepayments and accrued income

The Group reports prepayments if the expenditures incurred relate to periods following the period in which they are incurred.

Accrued income constitutes moneys received on account of future performances. Accrued income also includes accrued but not yet received income on account of performances recognised as income on a cash-accounting basis

10.2.19 Cash and cash equivalents

Cash is recognised as at the balance sheet date at nominal value.

Cash includes: cash on hand, cash at bank and all cash deposits and short-term securities with maturity of up to three months.

The balance of cash and cash equivalents reported in the cash flow statement comprises the above cash and cash equivalents.

10.2.20 Equity capital funds

The equity capital funds of dominant entity Emperia Holding S.A. comprise:
- initial (share) capital
- supplementary capital
- reserve capital

The supplementary capital of Emperia Holding SA is divided into three categories:
- share premium capital – surplus generated as part of a share issue less costs of such share issue;
- supplementary capital – annual profit allocations of no less than 8 percent of net profit generated in the relevant financial year, until the supplementary capital reaches one third of the initial capital;
- supplementary capital – established in connection with the management option plan

The reserve capital of Emperia Holding SA is divided into two categories:
- reserve capital –earmarked to cover specific losses or expenditures, based on annual profit allocations;
- revaluation reserve capital – represents net difference arising as part of assets revaluation.

10.2.21 Bank credit facilities

Bank credit facilities are carried at the fair value of proceeds received less costs directly related to generating such proceeds. In the subsequent periods bank credit facilities are carried at the amortised purchase price, based on the effective interest rate.

Credit facilities (including current loans in the current account and credit lines) maturing in a period of more than 12 month after the balance sheet date are treated by the Group as long-term-credit facilities.

10.2.22 Provisions

The Group establishes provisions when there is a current, legal or customarily expected obligation, arising from past events, that a likely liability to pay will arise. It must be more likely that funds will be required to be expensed to meet that obligation than the opposite, and it must be possible to reliably measure its amount.

The costs of a provision are recognised as other operating expense.

If it is likely that part or all of the economic benefits required to settle the provision will be recovered from a third party, such amount is recognised as an asset, providing that the likelihood of recovery is sufficiently high and it can be reliably measured.

If the time value of money is significant, the provision is measured by discounting projected future cash flows to the current value based on a gross discount rate reflecting the actual market evaluations of the time value of money and the potential risk relating to the relevant liability. If discounting is used as a measuring method, the increase of the provision due to passage of time is recognised as financial expense.

The value of provisions established is reviewed on the balance sheet date to adjust the estimates based on the state of knowledge prevailing at that time.

10.2.23 Short-term liabilities, including accounts payable

Short-term liabilities include liabilities whose maturity falls within 12 months of the balance sheet date (with accounts payable being classified in the balance sheet as short-term liabilities regardless of their respective maturity date).

Short-term liabilities include in particular accounts payable, credit facilities and loans contracted, payroll, taxes, duties, insurance and other payments.

Short-term liabilities from supplies and services are recognized in the balance sheet at nominal value. The book value of these liabilities are equivalent to approximately the value which is amount of amortized cost, using the effective interest rate. Short-term liabilities with the date of the maturity less than 365 days shall not be discounted.

Liabilities which are not classified as financial liabilities are pricing in the amount requiring the payment.

10.2.24 Employee benefits

Over time, the Company's employees acquire certain rights to benefits which are paid after the rights become vested. The Company's pay systems provide all employees with a right to an old-age pension bonus, managers and the management board members to an annual and three-year bonuses for meeting corporate and individual objectives.

In the light of the above, the Company established provisions against these benefits. These include pension bonuses, annual leaves accrued, annual and longer bonuses. The Company estimates related provisions. The provisions against old-age pension bonuses and accrued leaves are estimated in each reporting period, provisions against bonuses are estimated at the end of financial year. A third-party actuary estimates old-age pension bonuses at the Company's request.
The provisions against employee benefits are recognised as operating expense.

10.2.24.1 Own share-based payments.

The own share-based scheme, the three-year Management Option Plan, enables the Group's employees to acquire shares in the dominant company. The Plan is targeted at the company's and subsidiary companies' management board as well as the key managers of the company and its subsidiaries. The aim of the Plan is to incentivise key management to achieve the Group's strategic objectives and tie them with the Group over the long-term.

The Group recognised the Plant at fair value on the launch date, in accordance with the requirements of IFRS 2 and IFRIC 11. The valuation was prepared by a third-party expert based on the Monte-Carlo valuation model. The valuation took into account: model input price (share price on the day of granting the instrument), of PLN 40,50 per share, price of instrument execution of PLN 142, expected volatility of level of 35%, likelihood of early implementation at 0% per annum for Members of Board of Company and 3% per annum for other persons entitled, expectation of dividend of PLN 0,90 per share (taking into increase of dividend by 10% in next years) and risk-free rate estimated as a rate of return obtained from currently available on date of grant of zero-coupon securities issued by the Polish Government, denominated in PLN. The fair value of the Plan is amortised throughout the term of the Plan, starting from 1 October 2008 until the end of 2010. In the Financial Statements the fair value of the Plan is recorded in the profit and loss account as the costs of the management option plan in correspondence to the increase of supplementary capital.

10.2.25 Corporate tax

Corporate tax includes: current corporate tax to be paid and deferrer tax.

a) Current tax

The current corporate tax is established on the basis of the tax result (taxation base) of the relevant financial year.

Tax profit (loss) differs from the balance sheet profit (loss) due to exclusion of taxable revenues and costs treated as revenue costs in the following years as well as those revenues and costs which will never be taxable. The current tax payable is calculated at tax rates effective in the relevant financial year.

b) Deferred tax

The deferred tax liability is carried at full amount using the liability method on account of temporary differences between the tax value of assets and liabilities and their balance sheet value reported in the financial statements.

The deferred corporate tax is determined at tax rates legally or actually applicable as at the balance sheet date, which will be applicable when realised. The basic temporary differences relate to the different measuring of assets and liabilities settled in time for tax and balance sheet purposes.

Deferred tax assets are recognised if it is likely that in the future taxable income will be generated, thus enabling consumption of the temporary differences. In the balance sheet, the deferred tax liabilities or assets are carried respectively as long-term liabilities or assets.

10.2.26 Sales revenues

Revenues from sale of goods

a) wholesale – recognised at the time of delivery of goods to the client (client may also decide to individually select and collect the goods), after the client accepts the goods, and there is sufficient assurance that the related receivable is recoverable. The retrospective discounts granted by suppliers of goods are recognised when received and recorded as a reduction of the cost of goods sold in the profit and loss account. The bonuses and discounts granted by suppliers based on the volume of trade with the supplier are recognised in stock.

b) retail – recognised when goods are sold to the customer. Retails sales are mainly paid for in cash or by credit/debit card. Credit/debit card transaction charges are recorded as selling expense.

Revenues from sale of services

Revenues from sale of services are recognised once the service commissioned are provided. If the relevant agreement with the buyer so stipulates, revenues with respect to partial provision of the services can also be recognised, as agreed in an individual agreement.

Revenues from interest

Interest revenues are recognised on an accrual basis if there is sufficient assurance that the related receivable is recoverable. In the trading business, given its specificity, interest has a different role and hence for the most part it is recognised as revenues on a cash basis.

Dividends

Revenues from dividends are recognised when the right to obtain the payment becomes vested in the Group. Dividend payments to shareholders are recognised as a liability in the period in which they are approved by the General Meeting of Shareholders and recorded in other liabilities.

10.2.27 Costs

Cost of goods and materials sold – includes direct costs of goods and materials sold, which are commensurate with revenues generated on their sale.

Cost of services – includes expenditures directly related to the provision of services.

Selling expense – includes expenditures relating to goods marketing and distribution.

General administrative expense – includes costs relating to the operation of the company as a whole, in addition to those which are treated as other operating expense or financial expense.

Other operating expense – includes costs directly relating to the Group’s operations.

Financial expense – includes costs relating to the financing of the Group’s business and those of impairment of its financial assets.

10.2.28 Transactions in foreign currencies and exchange differences

All business transactions denominated in foreign currencies are converted into the Group’s functional currency (PLN) at the average exchange rate effective on the date of the transaction.

On each balance sheet date:

- cash assets denominated in a foreign currency are converted at the closing rate;
- non-cash assets carried at historical cost in a foreign currency are converted at the exchange rate effective on the date of the transaction, and
- non-cash assets carried at fair value in a foreign currency are converted at the exchange rate of the date of measuring the fair value.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Foreign exchange gains and losses on the settlement of transactions denominated in foreign currencies and balance sheet recognition of cash assets and liabilities denominated in foreign currencies are recorded in the profit and loss account respectively as financial income or expense. The exchange differences are recognised as per account balance.

10.3 Additional explanatory notes

Note 1

TANGIBLE FIXED ASSETS	**31 December 2008**	**31 December 2007**
Freehold land	71 684	46 342
- right for perpetual usufruct	*19 426*	*13 345*
Buildings and constructions	297 879	245 783
Equipment and machines	69 867	53 360
Vehicles	40 741	36 615
Other tangible fixed assets	40 635	25 062
Tangible fixed assets in progress	58 838	28 694
Prepayments for construction in progress		
Total tangible fixed assets	**579 644**	**435 856**

TANGIBLE FIXED ASSETS IN PROGRESS	**31 December 2008**	**31 December 2007**
Freehold land	2 874	427
- right for perpetual usufruct	*20*	*427*
Buildings and constructions	52 695	22 716
Equipment and machines	2 437	2 427
Vehicles	569	163
Other tangible fixed assets in progress	263	2 961
Total tangible fixed assets in progress	**58 858**	**28 694**

TANGIBLE FIXED ASSETS BASED ON RENTAL, LEASING	**31 December 2008**	**31 December 2007**
Freehold land		
- right for perpetual usufruct		
Buildings and constructions	92 086	634 456
Equipment and machines	98	1 705
Vehicles	7 496	2 040
Other		338
Total	**99 680**	**638 539**
Wright for perpetual usufruct value		

Pledges	**31 December 2008**	**31 December 2007**
Pledges:	**2 232**	**10 810**
- bank loans – goods	*2 232*	*10 810*
- bank guarantees		
Mortgage	**101 156**	**63 034**
- bank loans – goods	*93 356*	*63 034*
- bank guarantees	*7 800*	
Total pledges	**103 388**	**73 844**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 2 – 31.12.2008

TANGIBLE FIXED ASSETS – MOVEMENTS (by group)	- land including perpetual usufruct	- buildings	- machines and technical equipment	- vehicles	- other fixed assets	- tangible fixed assets in progress	**Total fixed tangible assets**
a) opening balance of fixed assets, gross value	**48 705**	**291 531**	**96 559**	**58 835**	**48 599**	**28 694**	**572 923**
b) additions:	**29 738**	**82 765**	**29 744**	**18 923**	**23 272**	**158 418**	**342 860**
- purchases	*5 734*	*5 365*	*14 789*	*12 850*	*6 926*	*158 415*	**204 079**
- purchases as a result of company takeover		*332*	*631*	*2 237*	*405*	*3*	**3 608**
- transfers from tangible fixed assets in progress	*23 276*	*69 814*	*14 327*	*3 536*	*15 940*		**126 893**
- donations			*20*	*4*	*1*		**25**
- leasing				*296*			**296**
- other	*728*	*7 254*	*(23)*				**7 959**
- subsidiary included in the capital group - evaluation to fair value	*728*	*7 254*					**7 982**
c) disposals	**(4 181)**	**(20 332)**	**(6 628)**	**(13 353)**	**(3 483)**	**(128 180)**	**(176 157)**
- sale	*(4 181)*	*(19 853)*	*(4 047)*	*(12 991)*	*(2 236)*	*(1 288)*	**(44 596)**
- liquidation		*(330)*	*(2 581)*	*(362)*	*(1 247)*		**(4 520)**
- transfer to tangible fixed assets						*(126 892)*	**(126 892)**
- other		*(149)*					**(149)**
d) gross value at the end of the period	**74 262**	**353 964**	**119 675**	**64 405**	**68 388**	**58 932**	**739 626**
e) opening balance of cumulative depreciation	**2 363**	**45 223**	**42 734**	**22 220**	**23 399**		**135 939**
f) depreciation additions	**292**	**15 359**	**13 822**	**12 391**	**7 842**		**49 706**
- planned	*292*	*14 987*	*13 697*	*12 137*	*7 957*		**49 070**
- as a result of company takeover		*372*	*125*	*254*	*(115)*		**636**
g) depreciation disposals:	**(77)**	**(5 205)**	**(6 826)**	**(10 982)**	**(3 488)**		**(26 578)**
- sales	*(21)*	*(1 741)*	*(3 345)*	*(7 121)*	*(2 154)*		**(14 382)**
- liquidation		*(132)*	*(2 376)*	*(319)*	*(1 084)*		**(3 911)**
- activity transfer		*(1 356)*	*(995)*	*(2 672)*	*(250)*		**(5 273)**
- other	*(56)*	*(1 976)*	*(110)*	*(870)*			**(3 012)**
h) closing balance of cumulative depreciation	**2 578**	**55 377**	**49 730**	**23 629**	**27 753**		**159 067**
i) opening balances of value adjustments		**525**	**465**		**138**		**1 128**
- additions		*220*	*43*	*35*		*94*	**392**
- additions as a result of company takeover							
- disposals		*(37)*	*(430)*		*(138)*		**(605)**
j) closing balances of value adjustments		**708**	**78**	**35**		**94**	**915**
k) closing balance of fixed assets, net value	**71 684**	**297 879**	**69 867**	**40 741**	**40 635**	**58 838**	**579 644**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 2 – 31.12.2007

TANGIBLE FIXED ASSETS – MOVEMENTS (by group)	- land including perpetual usufruct	- buildings	- machines and technical equipment	- vehicles	- other fixed assets	- tangible fixed assets in progress	**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*
- purchases as a result of company takeover	*19 539*	*126 964*	*47 201*	*29 281*	*15 787*	*24 300*	*263 072*
- transfers from tangible fixed assets 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)*
- distribution			*(11)*		*(2)*		*(13)*
- transfer of intangible fixed assets						*(129 608)*	*(129 608)*
- other	*(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**
- planned	*171*	*10 711*	*10 184*	*10 556*	*6 405*		*38 027*
- as a result of company takeover	*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)*
- other	*(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*
- additions as a result of company takeover		*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**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 3

INVESTMENTS ON REAL ESTATE	**31 December 2008**	**31 December 2007**
Gross value at the beginning of the period	**4 820**	
Additions	14 820	4 820
- purchase	*4 250*	*145*
- purchases as a result of company takeover		*4622*
- other	*10 570*	*53*
Disposals		
- alienation		
-other		
Gross value at end of the period	**19 640**	**4 820**

Opening balance of depreciation	**77**	
Additions	1 852	77
planned	*269*	
other (transfer from tangible assets)	*1 583*	
as a result of company takeover		
Disposals		
Closing balance of depreciation	**1 929**	**77**
Net value at the end of the period	**17 711**	**4 743**
Rental income	620	180
Direct operating cost from real estate committed to rent	(706)	11
Direct operating cost from real estate no committed to rent	(35)	17

Investment on Real Estate include a group of commercial real estate rented to third parties.
The fair value at 31 December 2008 has not been determined.

Note 4

INTANGIBLE FIXED ASSETS	**31 December 2008**	**31 December 2007**
Research and development expenditure		
Concessions, patents, licenses and similar assets	2 196	2 417
Other intangible fixed assets	152	92
Intangible fixed assets don't engage to use	4 019	1 067
Intangible fixed assets total	**6 367**	**3 576**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 5 –31.12.2008

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	concessions, patents, licenses and similar assets**:**	other intangible fixe assets	intangible fixed assets didn't passed to use	**Total intangible fixed assets**
a) gross value at the beginning of the period	**11 155**	**1 734**	**1 067**	**13 956**
b) additions:	**2 869**	**119**	**3 641**	**6 629**
- purchases	*1 680*	*25*	*3 641*	***5 346***
- purchases as a result of company takeover	*277*	*60*		***337***
- transfers from investments	*174*	*34*		***208***
- leasing				
-other	*738*			***738***
c) disposals	**(311)**		**(689)**	**(1 000)**
- sale	*(32)*		*(418)*	***(450)***
- transfer of intangible fixed assets			*(258)*	***(258)***
- other	*(279)*		*(13)*	***(292)***
d) gross value at the end of the period	**13 713**	**1 853**	**4 019**	**19 585**
e) opening balance of cumulative depreciation	**8 570**	**1 642**		**10 212**
f) depreciation additions	**2 342**	**59**		**2 401**
- planned	*2106*	*6*		***2 112***
- as a result of company takeover	*236*	*53*		***289***
g) depreciation disposals	**(278)**			**(278)**
- sales	*(32)*			***(32)***
- other	*(246)*			***(246)***
h) closing balance of cumulative depreciation	**10 634**	**1 701**		**12 335**
i) opening balances of value adjustments	**168**			**168**
- additions – *distinguishing from initial value*	*826*			***826***
- additions	*14*			***14***
- additions as a result of company takeover				
- disposals	*(125)*			***(125)***
j) closing balances of value adjustments	**883**			**883**
k) closing balance of fixed assets, net value	**2 196**	**152**	**4 019**	**6 367**

all amounts in thousands PLN

Note 5 – 31.12.2007

INTANGIBLE FIXED ASSETS - MOVEMENTS (by group)	goodwill	concessions, patents, licenses and similar assets:	other intangible fixe assets	intangible fixed assets didn't passed to use	Total intangible fixed assets
a) gross value at the beginning of the period	**1 644**	**3 731**	**277**		**5 652**
b) additions:		**8 792**	**1 534**	**1 762**	**12 088**
- purchases		2 581		1 692	4 273
- purchases as a result of company takeover		5 962	1 534	70	7 566
- transfers from investments		369			369
-other		(120)			(120)
c) disposals		**(1 368)**	**(77)**	**(695)**	**(2 140)**
- sale		(51)	(7)		(58)
- transfer of intangible fixed assets				(695)	(695)
- other	(1 644)	(1 317)	(70)		(3 031)
d) gross value at the end of the period		**11 155**	**1 734**	**1 067**	**13 956**
e) opening balance of cumulative depreciation	**1 644**	**3 384**	**174**		**5 202**
f) depreciation additions		**6 169**	**1 539**		**7 708**
- planned		1 763	180		1 943
- as a result of company takeover		4 406	1 359		5 765
g) depreciation disposals	**(1 644)**	**(983)**	**(71)**		**(2 698)**
- sales		(50)			(50)
- other	(1 644)	(933)	(71)		(2 648)
h) closing balance of cumulative depreciation		**8 570**	**1 642**		**10 212**
i) opening balances of value adjustments					
- additions		41			41
- additions as a result of company takeover		632			632
- disposals		(505)			(505)
j) closing balances of value adjustments		**168**			**168**
k) closing balance of fixed assets, net value		**2 417**	**92**	**1 067**	**3 576**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 6

Goodwill	**31 December 2008**	**31 December 2007**
Opening balance	183 182	
Additional goodwill as a result of company takeover	12 996	186 005
Way out from books as a result of related entities liquidation (Rexpol)		(2 823)
As a result of location takeover	40	
Other	(6 391)	
Closing balance	**189 827**	**183 182**
Book value at the beginning of the period	183 182	
Book value at the end of the period	**189 827**	**183 182**

On 31 December 2008 was test for all companies incorporated in Emperia Holding Capital Group SA for loss of goodwill. To determine possible loss on losses of goodwill Group has made estimate of utility value of cash-generating units. Utility value was determined by based on cash flows for the 2007 and 2008 and forecasts of cash flows, containing period of 2009-2011, planned during creation of budget for 2009. To extrapolation forecasts of cash flow transcended beyond the budget of period used rate of growth of 3%. Management estimated rate of sales growth based on factual data and on their expectations for market development in the future.

Separated cash flows were discounted by rate based on:
- level of risk-free rate 4,7% for 2007, 6,34% for 2008 , 5% for 2009 and 4,5% for 2010-2011
- premium for risk at level : 5 % for 2007-2008 and 7% for 2009-2011
- index beta amount of 1

Test which was carried out by using above assumptions did not show loss of goodwill of any of the companies of Emperia Holding Capital Group on 31 December 2008.

Note 7

FINANCIAL ASSETS	**31 December 2008**	**31 December 2007**
other shares	7 267	29 570
- including related entities	*7 233*	*28 997*
- shares	1 397	1 528
- including related entities	*1 303*	*1 528*
- other securities		
- including related entities		
- loans granted	1 667	1 667
- including related entities		*182*
- other financial assets		
- including related entities		
Total financial assets	**10 331**	**32 765**

Long-term financial assets in related entities - 2008	other shares	shares	other securities	loans granted	other financial assets	**Total long-term financial assets in related entities**
a) opening balance of long-term financial assets in related entities, gross value	**28 997**	**1 528**		**182**		**30 707**
b) additions:	**5 259**	**6 313**				**11 572**
- purchases	*5 259*	*6 313*				**11 572**

EMPERIA HOLDING S.A. all amounts in thousands PLN

- purchases as a result of company takeover						
- other						
c) disposals	**(27 023)**	**(6 538)**		**(182)**		**(33 743)**
- sale	*(4)*					**(4)**
- consolidation exclusions	*(27 019)*	*(5 578)*				**(32 597)**
- repayment of granted loans				*(182)*		**(182)**
- other		*(960)*				**(960)**
d) closing balance of long-term financial assets in related entities, net value	**7 233**	**1 303**				**8 536**

Long-term financial assets in related entities – 2007	other shares	shares	other securities	loans granted	other financial assets	**Total long-term financial assets in related entities**
a) opening balance of long-term financial assets in related entities, gross value		**255 748**				**255 748**
b) additions:	**28 997**	**1 528**		**209**		**30 734**
- purchases	27 398	1 528				**28 926**
- granted loans				209		**209**
- purchases as a result of company takeover	1 230					**1 230**
- contribution	369					**369**
- other						
c) disposals		**(255 748)**		**(27)**		**(255 775)**
- sale		(255 748)				**(255 748)**
- repayment of granted loans				(27)		**(27)**
d) closing balance of long-term financial assets in related entities, net value	**28 997**	**1 528**		**182**		**30 707**

Note 7a

Investment in entities valued using the equity method	**31 December 2008**	**31 December 2007**
Purchase of shares	4 050	1 528
Share in profits of entities valued using the equity method	-1 581	
Closing balance	**3 997**	**1 528**

Partnerski Serwis Detaliczny S.A.	**01.01.2008 - 31.12.2008**	**03.04.2007 - 31.12.2007**
Sales	2 793	1 262
Net profit	-1 581	-2 700
Assets	3 339	4 231
Liabilities	1 507	5 832

At 31.12.2008 due to the limited access to financial data, Emperia Holding S.A. valued shares of Partnerski Serwis Detaliczny S.A. subsidiary using the equity method.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 8

Long-term receivables and prepaid expenses	**31 December 2008**	**31 December 2007**
Long-term receivables	**6 852**	**4 769**
a) deposit on rental fee	6 442	3 936
- including related entities		
b) other long receivables	410	833
- including related entities		
Other prepaid expenses	15 474	9 097
Long-term receivables and other prepaid expenses	**22 326**	**13 866**

Other prepaid expenses	**31 December 2008**	**31 December 2007**
Marketing services		11
Rent	3 308	4 531
Concessions, licenses	88	9
Compensation	12 063	4 479
Other	15	67
Other prepaid expenses	**15 474**	**9 097**

Due to the small value deposit on rental fee shall not be discounted.

Note 9

Deferred tax assets	**31 December 2008**	**31 December 2007**
Deferred tax asset at beginning of period	**16 113**	**4 656**
a) posted to net result	6 750	4 234
b) posted to equity	73	422
c) acquisition of entities	9 290	
Additions	19 574	16 113
a) posted to net result	18 752	6 750
b) posted to equity	457	73
c) acquisition of entities	365	9 290
Disposals	(14 602)	(4 656)
a) posted to net result	(14 602)	(4 656)
b) posted to equity		
Total deferred tax asset at the end of period, including	**21 085**	**16 113**
a) posted to net result	10 900	6 328
b) posted to equity	530	495
c) acquisition of entities	9 655	9 290

Deferred income tax assets from:	**31 December 2008**	**31 December 2007**
Trade debtors	2 235	1 776
Salaries to pay	7 353	5 440
Provision for pensions	496	525
Provision for holiday equivalents	2 360	1 814
Provision for premium salary for management	723	946
Bonds discount	91	97

EMPERIA HOLDING S.A. all amounts in thousands PLN

Provision for audit	100	114
Previsions on bank warranty	3	1
Interests from received loans	2	535
Other cost – interests counted	41	88
Revaluation of inventory	2 790	2 478
Evaluation of financial instruments	382	
Reserve for the restructuring of the employment	316	
Other	4 193	2 299
Deferred income tax assets total	**21 085**	**16 113**

Note 10

Inventory	**31 December 2008**	**31 December 2007**
Materials	8 599	7 705
Merchandises	423 217	349 446
Finished products	3	10
Half-finished products	4	
Revaluation of inventory	(16 022)	(13 040)
Total inventory	**415 801**	**344 121**

Revaluation of inventory	**31 December 2008**	**31 December 2007**
Revaluation of inventory – opening balance	(13 040)	(5 309)
Creating of write- offs - inventory	(20 417)	*(22 203)*
Creating of write – offs – as o result of company takeover	(785)	
Reversal of write- offs - inventory	18 220	*14 472*
Revaluation of inventory – closing balance	(16 022)	(13 040)

Revaluation of inventory concern inventory shortages and bonuses charged on purchases.
All revaluation of inventory has been related profit and loss positions.

Pledges	**31 December 2008**	**31 December 2007**
Deposits	**174 782**	**60 300**
- bank loans	*170 977*	*60 300*
- warranty	*3 805*	
Pledges	**36 567**	**61 647**
- bank loans	*30 009*	*53 797*
- warranty	*6 558*	*7 850*
Total pledges	**211 349**	**121 947**

Note 11

Receivables	**31 December 2008**	**31 December 2007**
Trade debtors	360 507	328 392
including: related entities	1 585	*507*
Taxation, subsidy and social security debtors	41 066	25 340
Subject to legal proceedings	12 386	12 463
Prepayments	8 855	612
Other receivables	8 439	12 024

EMPERIA HOLDING S.A. all amounts in thousands PLN

including: related entities	676	*2*
Impairment loss for bad debts	(34 413)	(29 577)
Total receivables	**396 840**	**349 254**

Trade receivables including related entities amounted 1 585 thousand PLN and Other receivables including related entities amounted 676 thousand PLN. A detailed description contains note 45.

Change in impairment for current bad debts	31 December 2008	31 December 2007
Opening balance – at the beginning of the period	**(29 577)**	**(6 718)**
- including related entities	*(218)*	*(2)*
Additions	(14 437)	(7 340)
- including related entities	*(1)*	*(266)*
Additions as a result of company takeover	(560)	(25 774)
Disposals	10 161	10 255
- including related entities	*219*	*50*
exploitation	*1 870*	*3 911*
- including related entities	*216*	
dissolution	*8 291*	*6 344*
- including related entities	*3*	*50*
Closing balance – at the end of the year	**(34 413)**	**(29 577)**
- *including related entities*		**(218)**

Pledges	31 December 2008	31 December 2007
Deposit		**45 600**
- bank loans		*45 600*
- warranty		
Pledges**:**	**31 200**	**5 048**
- bank loans	*26 500*	*1 048*
- warranty	*4 700*	*4 000*
Cession	**60 562**	**67 575**
- bank loans	*54 300*	*61 200*
- warranty	*6 262*	*6 375*
Total pledges	**91 762**	**118 223**

Ageing of trade debtors	31 December 2008	31 December 2007
Due within 1 month	208 016	177 820
Due between 1 and 3 months	22 321	25 457
Due between 3 and 6 moths	540	279
Due between 6 months and 1 year	284	234
Due after 1 year	15	2
Overdue trade debtors	129 331	124 600
Impairment loss for trade debtors	(21 951)	(16 947)
Total net trade debtors	**338 556**	**311 445**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Ageing of overdue trade debtors	31 December 2008	31 December 2007
1 month	81 987	82 796
between 1 and 3 months	24 203	21 243
between 3 and 6 moths	6 504	5 272
between 6 months and 1 year	2 686	1 406
after 1 year	13 951	13 883
Impairment loss for trade debtors	(21 951)	(16 619)
Total net overdue trade debtors	**107 380**	**107 981**

Note 12

Short term financial assets	31 December 2008	31 December 2007
Debt securities		4
including: related entities		*4*
Total short term financial assets		**4**

Note 13

Short term prepaid expenses	31 December 2008	31 December 2007
Marketing services	11	171
Insurance	1 466	1 190
Technical assistance	212	151
Perpetual usufruct of land fees		
Property tax		
Concessions, licenses	35	2
Alcohol sale license	336	117
Stock-exchange quotations		
Rental costs	1 657	1 990
Road permissions	59	40
Advertisements	12	15
Subscriptions, charges and other fees	113	60
Electricity	20	18
Shop pre - opening costs	59	410
Email costs	7	2
Costs to re-invoice	550	478
Compensation	1 577	559
Other	1 082	559
Total short term prepaid expenses	**7 196**	**5 762**

Note 14

Cash and cash equivalents	31 December 2008	31 December 2007
Cask at cash desk	5 882	4 836
Cash at bank	23 390	73 426
Other	20 587	14 145
Other financial assets	164	
Total cash and cash equivalents	**50 023**	**92 407**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 15

Other short term financial assets	**31 December 2008**	**31 December 2007**
Loans	200	86
including: related entities		
Total other short term financial assets	**200**	**86**

Position "loans granted" applicable not-consolidated entities.

Note 16

Assets assigned for sale	**31 December 2008**	**31 December 2007**
Tangible fixed assets		1 505
Freehold land		*862*
- right for perpetual usufruct		*862*
Buildings and construction		*643*
Equipment and machines		
Intangible fixed assets		
Share		
Other share		
Other financial assets		
Total assets assigned for sale		**1 505**

Assets assigned for sale do not appear in 2008.

Assets assigned for sale in 2007:
● DEF Sp. z o.o., 1 036 thousand PLN- assets have been sold by the company on 22.01.2008
● Społem Tychy Sp. z o. o, 469 thousand PLN- assets have been sold by the company on July 2008

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 17

At 31.12.2008

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. share	02.01.2007	01.01.2006
I	preference shares	none	4 203 562	4 203 562	contribution - BOS S.A. share	02.01.2007	01.01.2006
J	preference shares	none	55 747	55 747	contribution - BOS S.A. share	11.05.2007	01.01.2006
K	preference shares	none	290 468	290 468	contribution - BOS S.A. share	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. share	12.02.2008	01.01.2007
M	preference shares	none	82 144	82 144	Contribution – Centrum Sp. z o.o. share	12.02.2008	01.01.2007
N	preference shares	none	122 429	122 429	cash	06.06.2008	01.01.2007
Total number of shares			**15 115 161**				
Total equity				**15 115 161**			
One share nominal value = 1 PLN							

all amounts in thousands PLN

At 31.12.2007

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. share	02.01.2007	01.01.2006
I*	preference shares	none	4 203 562	4 203 562	contribution - BOS S.A. share	02.01.2007	01.01.2006
J	preference shares	none	55 747	55 747	contribution - BOS S.A. share	11.05.2007	01.01.2006
K	preference shares	none	290 468	290 468	contribution - BOS S.A. share	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. share	12.02.2008	01.01.2007
M	preference shares	none	82 144	82 144	Contribution – Centrum Sp. z o.o. share	12.02.2008	01.01.2007
Total number of shares			**14 992 732**				
Total equity				**14 992 732**			
One share nominal value = 1 PLN							

EMPERIA HOLDING S.A. all amounts in thousands PLN

Supervisory Board of the company Members

Supervisory Board of the company Members	Shares at 31.12.2008	Percentage of share capital *	Change %	Shares at 31.12.2007	Percentage of share capital at 31.12.2007*
Zenon Mierzejewski	137 000	0,91%	-2,06%	139 886	0,93%

* Shares at the date of the report – 15 115 161, Shares at 31.12.2007– 14 992 732

List of shareholders holding at least 5 percent of votes at the Ordinary General Meeting of Shareholders of Emperia Holding S.A. at the date of the report.

Shareholders	Shares at the date of the report	Percentage of share capital *	Change %	Shares at 31.12.2007	Percentage of share capital at 31.12.2007*	Votes at the OGMS at the date of the report	Percentage of votes at the OGMS at the date of the report
Commercial Union OFE**	1 571 948	10,40%	12,49%	1 397 436	9,32%	1 571 948	10,40%
Jarosław Wawerski	1 090 537	7,21%	0,00%	1 090 537	7,27%	1 090 537	7,21%
Artur Emanuel Kawa	1 000 086	6,62%	0,00%	1 000 086	6,67%	1 000 086	6,62%
ING OFE**	814 811	5,39%	0,11%	813 884	5,43%	814 811	5,39%

* Shares at the date of the report – 15 115 161, Shares at 31.12.2007– 14 992 732
** number of shares according to the information underlying the calculation of the dividend

Changes in the holding of shares by members of the Board.

Management board of the company Members	Shares at 31.12.2008	Percentage of share capital *	Change %	Shares at 31.12.2007	Percentage of share capital at 31.12.2007*
Jarosław Wawerski	1 090 537	7,21%	0,00%	1 090 537	7,27%
Artur Emanuel Kawa	1 000 086	6,62%	0,00%	1 000 086	6,67%
Grzegorz Wawerski	353 738	2,34%	4,66%	338 000	2,25%
Dariusz Kalinowski	15 000	0,10%	0,00%	15 000	0,10%
Marek Wesołowski	12 520	0,08%	0,00%	12 520	0,08%

* Shares at the date of the report – 15 115 161, Shares at 31.12.2007– 14 992 732

Changes in Management board of the company Members in Section 11.17

Changes in reserve capital	Reserve capital	Other reserve capital
1 January 2008	**22 353**	**46 837**
Distribution of profits	68 509	13 285
Result of merger Detal Koncept with Polka		(249)
30 June 2008	**90 862**	**59 873**
1 January 2007	**7 497**	**44 669**
Additions	14 856	12 202
Disposals		(10 034)
31 December 2007	**22 353**	**46 837**

all amounts in thousands PLN

Note 18

Retained earnings	**31 December 2008**	**31 December 2007**
Net profit (loss) from the previous year	66 888	18 745
Distribution of profit – for equity	(81 794)	(27 058)
Distribution of profit - dividend	(13 301)	(13 056)
Net profit (loss) from the current year	58 969	88 417
Corrections of 2007	(321)	
Settlement of companies takeovers		(160)
Deduct from net profit	(74)	
Total Retained earnings	**30 367**	**66 888**

Note 19

Long-term bank loans and other	**31 December 2008**	**31 December 2007**
Credits	282 146	124 414
Bank loans		421
Including: related entities		
Financial lease	3 117	4 775
Total long-term bank loans and other	**285 263**	**129 610**

all amounts in thousands PLN

At 31.12.2008

Type of credit	Credit amount by agreement	Currency	At 31.12.2008	Short-term bank credit (less than one year)	Long-term bank credit (over one year)	1 - 2 year	2 - 5 year	More than 5 years
Investment Credit	33 100	PLN	**22 278**	5 183	17 095			*17 095*
Refinancial credit	44 907	PLN	**35 467**	3 986	31 481	*1 118*	*1 580*	*28 783*
Overdraft credit	253 700	PLN	**175 160**	13 782	161 378	*152 879*	*8 499*	
Turnover credit	72 500	PLN	**72 500**		72 500	*72 500*		
Total	**404 207**	**PLN**	**305 405**	**22 951**	**282 454**	**226 497**	**10 079**	**45 878**
accrued interest		PLN	**5**	3	2	*2*		
commissions		PLN	**(361)**	(51)	(310)	*(299)*	*(11)*	
Total	**404 207**	**PLN**	**305 049**	**22 903**	**282 146**	**226 200**	**10 068**	**45 878**

At 31.12.2007

Type of credit	Credit amount by agreement	Currency	At 31.12.2007	Short-term bank credit (less than one year)	Long-term bank credit (over one year)	1 - 2 year	2 - 5 year	More than 5 years
Investment Credit	17 441	PLN	**11 352**	5 572	5 777	*2 191*	*3 191*	*395*
Refinancial credit	41 257	PLN	**27 735**	4 245	23 490	*668*	*2 113*	*20 709*
Overdraft credit	157 200	PLN	**82 713**	47 877	34 836	*7 934*	*26 902*	
Turnover credit	61 500	PLN	**60 500**		60 500	*35 700*	*24 800*	
Total	**277 398**	**PLN**	**182 298**	**57 697**	**124 603**	**46 493**	**57 006**	**21 104**
accrued interest		PLN	**20**	20				
commissions		PLN	**(274)**	(85)	(189)	*(189)*		
Total	**277 398**	**PLN**	**182 044**	**57 632**	**124 414**	**46 304**	**57 006**	**21 104**

Detailed information on the value of collateral for the credits is described in Note 41
The credit interest rate is variable, based on WIBOR rate plus bank margin.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 20

Long-term liabilities	**31 December 2008**	**31 December 2007**
Deposit on rental fee	4 516	1 946
including: related entities		
Other long-term liabilities	982	20
Total long-term liabilities	**5 498**	**1 966**

Due to the small value Deposit on rental fee shall not be discounted.

Note 21

Provisions	**31 December 2008**	**31 December 2007**
Provisions for employees’ benefits	**20 567**	**15 971**
a) provision for pensions	1 285	1 231
b) provision for holiday equivalents	12 421	9 549
c) provision for premium salary	3 872	5 191
d) provision for jubilee awards	1 328	
e) provision for restructuring of the employment	1 661	
Other provisions	**2 825**	**6 123**
a) provision for audit	518	590
b) prizes for customers	1 031	804
c) provision for packages	144	144
d) provision for bonuses	20	541
e) provision for future liabilities	552	295
f) other	560	3 749
Total provisions	**23 392**	**22 094**

Provisions for employees' benefits	**31 December 2008**	**31 December 2007**
Long-term	**2 362**	**3 050**
a) provision for pensions	1 195	1 179
b) provision for holiday equivalents		
c) provision for premium salary		
d) provision for jubilee awards	1 167	
e) provision for restructuring of the employment		1 871
Short-term	**21 030**	**19 044**
a) provision for pensions	90	52
b) provision for holiday equivalents	12 421	9 549
c) provision for premium salary	3 872	5 191
d) provision for jubilee awards	161	
e) provision for restructuring of the employment	1 661	
f) other short-term provisions	2 825	4 252
Total provisions for employees' benefits	**23 392**	**22 094**

Change of provisions for employees' benefits	**31 December 2008**	**31 December 2007**
Provision for pensions opening balance	1 231	122
Additions	*309*	*522*
Additions as a result of merger	*24*	*890*
Disposals	*(279)*	*(303)*
Provision for pensions closing balance	**1 285**	**1 231**

all amounts in thousands PLN

Provision for holiday equivalents opening balance	9 549	2 945
Additions	*5 060*	*4 187*
Additions as a result of merger	*367*	*4 762*
Disposals	*(2 555)*	*(2 345)*
Provision for holiday equivalents closing balance	**12 421**	**9 549**
Provision for premium salary opening balance	5 191	4 362
Additions	*4 097*	*5 191*
Additions as a result of merger	*7*	*58*
Disposals	*(5 423)*	*(4 420)*
Provision for premium salary closing balance	**3 872**	**5 191**
Provision for jubilee awards opening balance		
Additions	*1 535*	
Additions as a result of merger		
Disposals	*(207)*	
Provision for jubilee awards closing balance	**1 328**	
Provision for restructuring of the employment opening balance		
Additions	*1 661*	
Additions as a result of merger		
Disposals		
Provision for restructuring of the employment closing balance	**1 661**	
Change of provisions for employees' benefits opening balance	**15 971**	**7 429**
Additions	*12 662*	*9 900*
Additions as a result of merger	*398*	*5 710*
Disposals	*(8 464)*	*(7 068)*
Change of provisions for employees' benefits closing balance	**20 567**	**15 971**

In 2008 provisions additions and disposals has been related profit and loss positions - overhead costs and sales costs.

Note 22

Deferred tax income - provisions	**31 December 2008**	**31 December 2007**
Deferred tax income - provisions opening balance	**10 462**	**1 883**
a) posted to net result	*10 414*	*1 883*
b) posted to equity	*48*	
c) posted to goodwill		
d) as a result of merger		
Additions	**15 583**	**10 462**
a) posted to net result	*13 941*	*860*
b) posted to equity		*48*
c) posted to goodwill	*1 499*	
d) as a result of merger	*143*	*9 554*
Disposals	**(12 947)**	**(1 883)**
a) posted to net result	*(12 947)*	*(1 883)*
b) posted to equity		
c) posted to goodwill		
Deferred tax income - provisions closing balance	**13 098**	**10 462**
a) posted to net result	*11 408*	*860*
b) posted to equity	*48*	*48*
c) posted to goodwill	*1 499*	
d) as a result of merger	*143*	*9 554*

EMPERIA HOLDING S.A. all amounts in thousands PLN

Deferred income tax provisions by kind	31 December 2008	31 December 2007
Bonds' discount	66	87
Long term bank loans commission.	29	39
Difference between tax value and book value of fixed assets	12 373	8 451
Other	630	1 885
Deferred income tax provisions by kind	**13 098**	**10 462**

Note 23

Short- term bank loans and others	31 December 2008	31 December 2007
Bank loans	22 903	57 632
Bonds		
including: related entities		
Debt securities	998	16 776
including: related entities	*998*	*16 776*
Leasing	1 936	1 960
Valuation of other financial instruments	3 478	4 429
Total short- term bank loans and others	**29 315**	**80 797**

Short- term bank loans and others detail in note 19
Valuation of other financial instruments included:
- valuation of hedging instruments to the fair value (1 403) thousand PLN
- valuation of hedging instruments of future cash flows (2 075) thousand PLN

Bonds Issued

a) Emperia Holding S.A.

In 2005, Emperia Holding S.A. concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate of up to PLN 50,000,000.

Bonds issue and redemption (expressed in nominal amounts) of Emperia Holding S.A. throughout 2008 and 2007 were as follows:

2008:
Emperia Holding S.A. did not issue bonds throughout 2008

2007:

Bonds issue and redemption in 2007	Total	External issue	Stokrotka Sp. z o.o.	BOS S.A.	Tradis Sp. z o.o.
As at the beginning of the period	**18 000**	10 000	8 000	0	0
Bonds issue	***101 000***	*45 000*	*13 000*	*7 000*	*36 000*
Bonds redemption	***(119 000)***	*(55 000)*	*(21 000)*	*(7 000)*	*(36 000)*
As at the end of the period	**0**	**0**	**0**	**0**	**0**

b) Elpro Sp. z o.o.

A subsidiary limited liability company, Elpro Sp. z o.o., has concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate value of up to PLN 50,000,000.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Bonds issue and redemption (expressed in nominal amounts) of Elpro Sp. z o.o. throughout 2008 and 2007 were as follows:

2008:

Bonds issue and redemption in 2008	**Total**	**External issue**	**Emperia Holding S.A.**	**Infinite Sp. z o.o.**	**Tradis Sp. z o.o.**	**DEF Sp. z o.o.**
As at the beginning of the period	**24 700**	0	5 000	1 200	0	0
Bonds issue	***352 000***	*1 000*	*116 000*	*26 100*	*9 000*	*24 000*
Bonds redemption	***(334 200)***	*0*	*(102 500)*	*(27 300)*	*(9 000)*	*(12 000)*
As at the end of the period	**42 500**	**1 000**	**18 500**	**0**	**0**	**12 000**

Bonds issue and redemption 2008 – cont.	**Express Sp. z o.o.**	**Rexpol Sp. z o.o. w likwidacji**	**Maro Markety Sp. z o.o.**	**Sydo Sp. z o.o.**	**BOS S.A.**	**Centrum Sp. z o.o.**
As at the beginning of the period	**0**	1 500	0	17 000	0	0
Bonds issue	***54 800***	*10 500*	*44 000*	*44 000*	*20 000*	*2 600*
Bonds redemption	***(47 800)***	*(12 000)*	*(44 000)*	*(61 000)*	*(16 000)*	*(2 600)*
As at the end of the period	**7 000**	**0**	**0**	**0**	**4 000**	**0**

2007:

Bonds issue and redemption in 2007	**Total**	**External issue**	**Emperia Holding S.A.**	**Detal Koncept Sp. z o.o.**	**Tradis Sp. z o.o.**	**Infinite Sp. z o.o.**	**Rexpol Sp. z o.o. w likwidacji**
As at the beginning of the period	**4 500**	0	3 000	1 500	0	0	0
Bonds issue	***124 600***	*17 000*	*36 700*	*24 700*	*28 100*	*8 100*	*10 000*
Bonds redemption	***(104 400)***	*0*	*(34 700)*	*(26 200)*	*(28 100)*	*(6 900)*	*(8 500)*
As at the end of the period	**24 700**	**17 000**	**5 000**	**0**	**0**	**1 200**	**1 500**

c) Stokrotka Sp. z o.o.

A subsidiary limited liability company, Stokrotka Sp. z o.o., has concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate value of up to PLN 50,000,000. Bonds issue and redemption (expressed in nominal amounts) of Stokrotka Sp. z o.o. throughout 2008 and 2007 were as follows:

2008

Bonds issue and redemption in 2008	**Total**	**External issue**	**Emperia Holding S.A.**	**Infinite Sp. z o.o.**	**Tradis Sp. z o.o.**	**Maro Markety Sp. z o.o.**	**Sydo Sp. z o.o.**
As at the beginning of the period	**30 000**	0	30 000	0	0	0	0
Bonds issue	***448 000***	*0*	*340 800*	*5 500*	*63 000*	*12 000*	*26 700*
Bonds redemption	***(428 000)***	*0*	*(338 000)*	*(2 000)*	*(63 000)*	*(6 000)*	*(19 000)*
As at the end of the period	**50 000**	**0**	**32 800**	**3 500**	**0**	**6 000**	**7 700**

2007

Bonds issue and redemption in 2007	**Total**	**External issue**	**Emperia Holding S.A.**
As at the beginning of the period	**0**	0	0
Bonds issue	***45 000***	*0*	*45 000*
Bonds redemption	***(15 000)***	*0*	*(15 000)*
As at the end of the period	**30 000**	**0**	**30 000**

EMPERIA HOLDING S.A. all amounts in thousands PLN

d) BOS S.A.

A subsidiary joint-stock company, BOS S.A., has concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate value of up to PLN 50,000,000.

Bonds issue and redemption (expressed in nominal amounts) of BOS S.A. throughout 2008 and 2007 were as follows:

2008

Bonds issue and redemption in 2008	Total	External issue	Emperia Holding S.A.	Maro Markety Sp. z o.o.	Sydo Sp. z o.o.
As at the beginning of the period	**35 000**	0	35 000	0	0
Bonds issue	***189 000***	*0*	*177 000*	*6 000*	*6 000*
Bonds redemption	***(224 000)***	*0*	*(212 000)*	*(6 000)*	*(6 000)*
As at the end of the period	**0**	**0**	**0**	**0**	**0**

2007

Bonds issue and redemption in 2007	Total	External issue	Emperia Holding S.A.
As at the beginning of the period	**0**	0	0
Bonds issue	***35 000***	*0*	*35 000*
Bonds redemption	***0***	*0*	*0*
As at the end of the period	**35 000**	**0**	**35 000**

e) Tradis Sp. z o.o.

A subsidiary limited liability company, Tradis Sp. z o.o., has concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate value of up to PLN 50,000,000.

Bonds issue and redemption (expressed in nominal amounts) of Tradis Sp. z o.o. throughout 2008 and 2007 were as follows:

2008

Bonds issue and redemption in 2008	Total	External issue	Emperia Holding S.A.
As at the beginning of the period	**15 000**	0	15 000
Bonds issue	***10 000***	*0*	*10 000*
Bonds redemption	***(25 000)***	*0*	*(25 000)*
As at the end of the period	**0**	**0**	**0**

2007

Bonds issue and redemption in 2007	Total	External issue	Emperia Holding S.A.
As at the beginning of the period	**0**	0	0
Bonds issue	***25 000***	*0*	*25 000*
Bonds redemption	***(10 000)***	*0*	*(10 000)*
As at the end of the period	**15 000**	**0**	**15 000**

EMPERIA HOLDING S.A. all amounts in thousands PLN

f) DLS S.A.

A subsidiary joint-stock company, DLA S.A., has concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate value of up to PLN 50,000,000.

Bonds issue and redemption (expressed in nominal amounts) of DLA S.A. throughout 2008 and 2007 were as follows:

2008

Bonds issue and redemption in 2008	Total	External issue	Emperia Holding S.A.	BOS S.A.
As at the beginning of the period	**0**	0	0	0
Bonds issue	***98 000***	*0*	*90 000*	*8 000*
Bonds redemption	***(79 000)***	*0*	*(75 000)*	*(4 000)*
As at the end of the period	**19 000**	**0**	**15 000**	**4 000**

2007:

DLS S.A. did not issue any bonds 2007.

The transactions concluded within the Group are subject to consolidation exclusions.

Total liabilities from debt securities at 31.12.2008

Issuer	*Series*	*Nominal value (In thousand PLN)*	*Date of repurchase*	*As at 31.12.2008*
Stokrotka Sp. z o.o.	0023**	27 000	2009-01-09	
Stokrotka Sp. z o.o.	0025**	5 800	2009-01-23	
Stokrotka Sp. z o.o.	0025**	3 500	2009-01-23	
Stokrotka Sp. z o.o.	0025**	6 000	2009-01-23	
Stokrotka Sp. z o.o.	0025**	7 700	2009-01-23	
Elpro Sp. z o.o.	0032**	16 500	2009-01-23	
Elpro Sp. z o.o.	0033**	2 000	2009-01-23	
Elpro Sp. z o.o.	0068**	6 000	2009-01-09	
Elpro Sp. z o.o.	0070**	6 000	2009-01-23	
Elpro Sp. z o.o.	0070**	7 000	2009-01-23	
Elpro Sp. z o.o.	0068	1 000	2009-01-09	998
Elpro Sp. z o.o.	0031**	4 000	2009-01-23	
DLS S.A.	0014**	11 000	2009-01-23	
DLS S.A.	0013**	4 000	2009-01-09	
DLS S.A.	0014**	4 000	2009-01-23	
Total bonds issued by the Group *				**998**
Other				
Total liabilities from debt securities				
including: short-term				998
including: long-term				

* Financial liabilities measured at amortized cost, according with MSR 39

** Bonds subject to exemptions

EMPERIA HOLDING S.A. all amounts in thousands PLN

Total liabilities from debt securities at 31.12.2007

Issuer	*Series*	*Nominal value (In thousand PLN)*	*Date of repurchase*	*As at 31.12.2007*
BOS S.A.	0001**	20 000	2008-01-10	
BOS S.A.	0002**	15 000	2008-02-28	
Stokrotka Sp. z o.o.	0003**	15 000	2008-03-20	
Stokrotka Sp. z o.o.	0002**	15 000	2008-02-08	
Elpro Sp. z o.o.	0048**	1 200	2008-01-17	
Elpro Sp. z o.o.	0002**	5 000	2008-02-08	
Elpro Sp. z o.o.	0048**	1 500	2008-01-17	
Elpro Sp. z o.o.	0003	5 000	2008-03-21	4 934
Elpro Sp. z o.o.	0001	12 000	2008-03-21	11 842
Tradis Sp. z o.o.	0002**	15 000	2008-02-08	
Total bonds issued by the Group *				**16 776**
including: short-term				16 776
including: long-term				

* Financial liabilities measured at amortized cost, according with MSR 39
** Bonds subject to exemptions

Note 24

Short-term liabilities	**31 December 2008**	**31 December 2007**
Trade payables	531 107	483 596
including: related entities	6 644	3 749
Taxation, subsidy and social security	32 035	26 298
Salary	21 855	15 442
Prepayments	52	141
Other liabilities	30 691	20 080
including: related entities	68	3 000
Total short-term liabilities	**615 740**	**545 557**

Ageing of trade payables	**31 December 2008**	**31 December 2007**
Due within 1 month	343 316	321 953
Due between 1 and 3 months	130 208	99 860
Due between 3 and 6 moths	282	73
Due between 6 months and 1 year	(105)	130
Due after 1 year	65	311
Overdue trade debtors	57 341	61 269
Total trade payables	**531 107**	**483 596**

all amounts in thousands PLN

Ageing of overdue trade payables	31 December 2008	31 December 2007
1 month	54 773	57 674
between 1 and 3 months	1 535	2 924
between 3 and 6 moths	289	470
between 6 months and 1 year	330	14
after 1 year	414	187
Overdue trade payables	**57 341**	**61 269**

Note 25

Deferred income	31 December 2008	31 December 2007
Settlement of vehicles' damages	231	33
Settlement of estates' damages	57	19
Penalties	48	21
Unrealized interest on tenant's deposits	16	15
Other	812	1 064
Total deferred income	**1 164**	**1 152**

Note 26

NET SALES OF PRODUCTS (by type of products)	12 months ended 31 December 2008	12 months ended 31 December 2007
Sales of services	107 565	103 321
- including to related entities	128	
Total net sales of products	**107 565**	**103 321**
- including to related entities	128	

NET SALES OF PRODUCTS (by geographic area)	12 months ended 31 December 2008	12 months ended 31 December 2007
Domestic	106 641	101 134
- including to related entities	128	
Export	924	2 187
- including to related entities		
Total net sales of products	**107 565**	**103 321**
- including to related entities	128	

Note 27

NET SALES OF MERCHANDISES AND MATERIALS (by type of activity)	12 months ended 31 December 2008	12 months ended 31 December 2007
Sales of merchandises and materials	5 149 553	4 321 512
- including to related entities	2 635	*1 355*
Sales of merchandises and materials	**5 149 553**	**4 321 512**
- including to related entities	2 635	*1 355*

all amounts in thousands PLN

NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)	12 months ended 31 December 2008	12 months ended 31 December 2007
Domestic	5 036 721	4 190 684
- including to related entities	2 635	*1 355*
Export	112 832	130 828
- including to related entities		
Total net sales of merchandise and materials	**5 149 553**	**4 321 512**
- including to related entities	2 635	*1 355*

A detailed description of transactions with not consolidated subsidiaries is contained in note 45.

Note 28

NON OPERATING INCOME	12 months ended 31 December 2008	12 months ended 31 December 2007
Profit from the disposal of non-financial fixed assets	8 048	11 956
Revaluation of non-financial assets	1 092	1 890
Other non operating income	9 346	7 985
Total non operating income	**18 486**	**21 831**

Revaluation of non-financial assets		
Creating of write-offs – inventory	(126)	
Reversal of write–offs – inventory	794	
Creating of write-offs – fixed assets		(277)
Reversal of write-offs – fixed assets		1466
Creating of write-offs - receivable	(1 031)	(635)
Reversal of write-offs - receivable	1 455	1 296
Total revaluation of non-financial assets	**1 092**	**1 850**

OTHER NON OPERATING INCOME	12 months ended 31 December 2008	12 months ended 31 December 2007
Penalties	321	159
Compensation of vehicle damages	1 246	1 240
Compensation of fixed assets damages	838	496
Overdue trade payables	18	
Rental income	905	
Court proceedings costs	330	328
Costs of re-invoice	1 797	
Employees salaries refund	97	
Donations	544	
Transfer rights from rental		1 850
Compensation received	1 050	1 850
Other	2 200	3 912
Total other non operating income	**9 346**	**7 985**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 29

COST BY KIND	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
depreciation and amortization	(52 658)	(39 970)
materials and energy	(101 250)	(66 050)
external services	(214 251)	(185 554)
payroll	(326 504)	(222 452)
social security and other employee benefits	(69 054)	(50 228)
taxes and charge	(16 369)	(11 910)
other costs	(13 923)	(8 799)
Total cost by kind of expenditure	**(794 009)**	**(584 963)**
Sales costs	(618 248)	(466 641)
Overhead costs	(100 673)	(78 928)
Cost of products sold	(66 072)	(37 313)
Cost of manufactured computer software	(9 016)	(2 081)

Payroll	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Salary	(326 489)	(222 452)
-including: cost of management options	*(596)*	
-including: provision for restructuring costs of employment	*(1 637)*	
social security	(53 921)	(40 188)
-including: provision for restructuring costs of employment	*(24)*	
company's social benefit fund	(7 660)	(4 539)
personnel training	(2 801)	(1 980)
other	(4 687)	(3 521)
Total payroll	**(395 558)**	**(272 680)**

The Group began in 2008 realization of the Three-Year Management Option Plan . The group made the evaluation of the program to fair value for the day of starting it.This value is being amortized by the time of the realization of the program, starting from 01 October 2008. In the financial report fair value of the program is being presented in the profit and loss account as costs of the program of managerial options in the correspondence with increasing reserwe capital.
The reserve to costs of employment restructurization includes the costs of salaries and national retirement insurances connected with the restructuring carried out in the Group of the section of distribution activity which will be carried at the realization of the consecutive stage of the reconstruction of structures of the Capital Group in 2009 (integrating distribution companies).

Note 30

NON OPERATING EXPENSES	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Loss from the sale of non-financial fixed assets	(67)	(73)
Revaluation of non-financial assets	(6 683)	(417)
Other non operating expenses	(9 631)	(5 229)
Total non operating expenses	**(16 381)**	**(5 719)**

all amounts in thousands PLN

Revaluation of non-financial assets	12 months ended 31 December 2008	12 months ended 31 December 2007
Creating of write-offs – inventory		
Reversal of write–offs – inventory		
Creating of write-offs – fixed assets	(280)	(328)
Reversal of write-offs – fixed assets	162	759
Creating of write-offs - receivable	(13 221)	(2 474)
Reversal of write-offs - receivable	6 656	1 626
Total revaluation of non-financial assets	**(6 683)**	**(417)**

Other non operating expenses	12 months ended 31 December 2008	12 months ended 31 December 2007
Donations	(708)	(759)
Compensation of vehicle damages	(1 033)	(844)
Compensation of fixed assets damages	(936)	(267)
Fixed assets damages	(38)	
Provisions	(61)	
Cost of real estates	(791)	
Court proceedings costs	(344)	(339)
Transfer rights from rental	(4 750)	(324)
Sale of assets components		(352)
Intangible fixed assets liquidation		(505)
Receivables deducted	(786)	
Other operating costs		
Other	(184)	(1 839)
Total other non operating expenses	**(9 631)**	**(5 229)**

Note 31

FINANCIAL INCOME	12 months ended 31 December 2008	12 months ended 31 December 2007
Dividend		
- including to related entities		
Interest	2 279	2 045
- including to related entities	*14*	*(11)*
Profit on investments disposal	27	400
Other	839	1 255
Total financial income	**3 145**	**3 700**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Interest	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Loans granted	19	46
- including related entities		*(12)*
Interest on deposits	386	
Interest on overdue receivables	683	804
- including related entities	*14*	*1*
Interest on debt securities		
- including related entities		
Other interest	1 191	1 195
- including related entities		
Total interest	**2 279**	**2 045**

Other financial income	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Positive exchange rate differences	5	680
Valuation of financial instruments	143	
Other	691	575
Total other financial income	**839**	**1 255**

Note 32

FINANCIAL EXPENSES	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Interest	(15 649)	(14 534)
- including related entities	*(5)*	*(45)*
Loss on the disposal of investments	(382)	(4 130)
Other financial expenses	(2 683)	(10 706)
Total financial expenses	**(18 714)**	**(29 370)**

Interest	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Bank loan interest	(14 922)	(13 030)
Leasing interest	(584)	(612)
- including related entities		
Loans interest		(7)
- including related entities		
Interest on overdue payables	(30)	(108)
- including related entities	*(5)*	*(6)*
Bonds interest	(74)	(580)
- including related entities	(49)	*(44)*
Treasury interests	(39)	(127)
Other interest		(70)
- including related entities		*(1)*
Total interest	**(15 649)**	**(14 534)**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Other financial expenses	12 months ended 31 December 2008	12 months ended 31 December 2007
Financial expenses of bank warranty	(102)	(76)
Exchange rate differences	(423)	(17)
Write offs – long term liabilities		(263)
Write offs – financial instruments	(102)	(4 739)
The liquidation of a Rexpol subsidiary	(1 586)	(2 823)
Financial expenses for the takeover shares		(354)
Other	(470)	(2 434)
Total other financial expenses	**(2 683)**	**(10 706)**

Note 33

CORPORATE INCOME TAX	12 months ended 31 December 2008	12 months ended 31 December 2007
Gross profit in entities gained tax profit	**123 397**	**112 173**
Gross loss in entities gained tax loss	*(7 671)*	*(1 658)*
Consolidation exemptions at the level of profit before tax	*(35 283)*	
Non taxable revenues	**(6 378)**	**(34 470)**
financial incomes	(1 147)	(1 366)
non operating incomes	(5 231)	(33 104)
Other taxable income	**2 075**	**1 754**
Non taxable costs and losses	**112 419**	**120 699**
operating costs	96 242	77 027
financial expenses	5 655	12 804
other non operating expenses	10 522	30 868
Additional taxable costs	**(109 178)**	**(65 367)**
Taxable revenue	**122 335**	**134 789**
Other discount form income	(669)	(622)
Settlement of previous year loss	(1 677)	(1 549)
Base of tax calculation	**119 989**	**132 618**
Tax amount 19%	**(22 798)**	**(25 197)**
Additional		(18)
Income tax current for the period	**(22 798)**	**(25 215)**
Income tax current	**(22 798)**	**(25 215)**
Tax amount	24,43%	20,00%

Note 34

DEFERRED CORPORATE INCOME TAX	12 months ended 31 December 2008	12 months ended 31 December 2007
Increase (decrease) from temporary differences from previous years	(4 493)	2 854
Decrease (increase) due to income tax assets write offs.	(536)	

EMPERIA HOLDING S.A. all amounts in thousands PLN

Decrease (increase) pre-payment for income tax		
Decrease (increase) allowances for corporate income tax – simplify method	8 171	263
Total deferred corporate income tax	**3 142**	**3 117**

Deferred corporate income tax demonstrated outside the profit and loss account	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Presented in capital	457	25
Presented in goodwill	(1 499)	
Change of deferred income tax caused by enlargement of composition of the Group	236	
Deferred corporate income tax demonstrated outside the profit and loss account	**(806)**	**25**

Note 35

NET PROFIT PRE SHARE	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Net profit	59 206	88 417
Net profit (loss) annualized	59 206	88 417
Number of shares - weight average	15 064 149	13 467 096
Net profit per share	3,93	6,57
Diluted net profit per share	3,93	6,57

Basic profit per share is computed by dividing net profit generated in the financial year attributable to ordinary shareholders by weighted average number of issued equity securities during financial year.

Diluted profit per share is computed by dividing net profit generated in the financial year attributable to ordinary shareholders of dominant (after deducting the interest on preference convertible shares) by weighted average number of issued equity securities during financial year with weighted average number of issued equity securities, which would have been issued for conversion of dilutive potential ordinary shares into ordinary shares

In 2008, the Company launched Three-Year Management Option Plan, described in note 55 (k) and in additional explanatory notes point 10.2.24.1.

Therefore, that eligibility for the completion of convertible bonds for shares of series „O" can be made appropriately for the bond of series A in time from 1 of April 2012 to 31 March 2016, of bond of B series in the time of 1 April 2013 to 31 March 2017, of bond of C series in the time of 1 April 2014 to 31 March 2018, the Company didn't establish the influence of convertible bonds on shares to the diluted profit per one share.

Note 36

DIVIDEND

Paid dividends:
On 17 September 2008 dominant Company paid dividends to shareholders in the amount of PLN 13 301 341,68 representing PLN 0.88 (point eighty-eight zloty) per share..

Proposed of distribution of profit of dominant Company Emperia Holding for 2008:
Management Board of Emperia Holding SA is propose to allocate PLN 8 917 944,99 of the net profit generated in 2008 by the dominant Company in value of PLN 1 422 341,63 and PLN 7 495 603,36 from reserve capital to pay dividend. According to the number of shares i.e. 15 115 161, representing PLN 0,59 per share.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Note 37

THE STRUCTURE OF CASH IN THE STATEMENT OF CASH FLOW	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Cash in the cash desk		
- opening balance	4 806	*2 509*
- closing balance	5 882	*4 836*
Cash at bank		
- opening balance	76 529	*444*
- closing balance	23 390	*73 426*
Other cash		
- opening balance	15 314	*9 700*
- closing balance	20 588	*14 145*
Other financial assets		
- opening balance	*150*	
- closing balance	164	
Total cash		
- opening balance	**96 798**	**12 653**
- closing balance	**50 023**	**92 407**

Note 38

Changes in provisions in Cash Flow	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Provisions	23 393	22 094
GK BOS provisions – on the day of purchase		(6 033)
Społem Tychy provisions – on the day of purchase		(4 784)
Centrum provisions – on the day of purchase		(375)
Maro-Markety provisions – on the day of purchase		(522)
Euro Sklep provisions – on the day of purchase		(83)
Alpaga provisions – on the day of purchase	(217)	
Sydo provisions – on the day of purchase	(406)	
Provisions after consolidation exemptions	**22 770**	**10 297**
Changes in provisions in Cash Flow	**676**	**2 677**

Changes in inventory in Cash Flow	**12 months ended 31 December 2008**	**12 months ended 31 December 2007**
Inventory	415 801	344 121
GK BOS inventory – on the day of purchase		(186 543)
Społem Tychy inventory – on the day of purchase		(6 356)
Centrum inventory – on the day of purchase		(7 137)
Maro-Markety inventory – on the day of purchase		(4 495)
Euro Sklep inventory – on the day of purchase		(1 103)
Alpaga inventory – on the day of purchase	(6 053)	
Sydo inventory – on the day of purchase	(13 213)	
Inventory after consolidation exemptions	**396 535**	**138 487**
Changes in inventory in Cash Flow	**(52 414)**	**(43 566)**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Changes in receivables in Cash Flow	12 months ended 31 December 2008	12 months ended 31 December 2007
Trade debtors receivables and other in consolidated balance	396 840	349 254
Investments receivables	6 703	(762)
GK BOS receivables – on the day of purchase		(242 841)
Społem Tychy receivables – on the day of purchase		(1 709)
Centrum receivables – on the day of purchase		(523)
Maro-Markety receivables – on the day of purchase		(1 101)
Euro Sklep receivables – on the day of purchase		(1 578)
Alpaga receivables – on the day of purchase	(7 390)	
Sydo receivables – on the day of purchase	(19 515)	
Receivables after consolidation exemptions	**376 638**	**100 740**
Changes in receivables in Cash Flow	**(27 384)**	**(28 188)**

Change in deferred revenues and accruals in Cash Flow	12 months ended 31 December 2008	12 months ended 31 December 2007
deferred revenues and accruals	7 196	5 762
GK BOS deferred revenues and accruals – on the day of purchase		
Społem Tychy deferred revenues and accruals – on the day of purchase		(181)
Centrum deferred revenues and accruals – on the day of purchase		(222)
Maro-Markety deferred revenues and accruals – on the day of purchase		(160)
Euro Sklep deferred revenues and accruals – on the day of purchase		(61)
Sydo deferred revenues and accruals – on the day of purchase	289	
Alpaga deferred revenues and accruals – on the day of purchase	(409)	
Long-term liabilities	8 449	
Deferred revenues and accruals after consolidation exemptions	**15 525**	**5 138**
Change in deferred revenues and accruals in Cash Flow	**(9 763)**	**(2 204)**

Changes in liabilities in Cash Flow	12 months ended 31 December 2008	12 months ended 31 December 2007
Trade payables liabilities and other	615 740	545 557
GK BOS liabilities - on the day of purchase		(311 660)
Społem Tychy liabilities - on the day of purchase		(14 054)
Centrum liabilities - on the day of purchase		(6 506)
Maro-Markety liabilities - on the day of purchase		(7 081)
Euro Sklep liabilities - on the day of purchase		(2 931)
Investments liabilities	(9 476)	(4 655)
Sydo liabilities - on the day of purchase	(42 101)	
Alpaga liabilities - on the day of purchase	(14 880)	
Liabilities after consolidation exemptions	**549 283**	**198 670**
Changes in liabilities in Cash Flow	**3 726**	**44 086**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Other adjustments in Cash Flow	12 months ended 31 December 2008	12 months ended 31 December 2007
Reversal of write – offs – fixed assets	233	(1 619)
Intangible fixed assets liquidation		505
Reserve capital from the evaluation of managerial options	596	
Other adjustments	(319)	117
Other adjustments in Cash Flow	**510**	**(997)**

Cash and cash equivalents as a result of takeover	12 months ended 31 December 2008	12 months ended 31 December 2007
GK BOS cash and cash equivalents - on the day of purchase		27 793
Społem Tychy cash and cash equivalents - on the day of purchase		972
Centrum cash and cash equivalents - on the day of purchase		2 974
Maro-Markety cash and cash equivalents - on the day of purchase		7 181
Euro Sklep cash and cash equivalents - on the day of purchase		1 991
Sydo cash and cash equivalents - on the day of purchase	3 410	
Alpaga cash and cash equivalents - on the day of purchase	3 055	
Polka cash and cash equivalents - on the day of purchase	28	
Cash and cash equivalents as a result of takeover	**6 493**	**40 911**

Note 39

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 40 Revenues and performance by business segment

In the Group's line of business, the differences in the goods offered, both in trading and service terms, have decisive impact upon the risk and return on investment.

A business segment is a component of an enterprise that provides products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a component of an enterprise that provides products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group operates exclusively in Poland, the regions of which—given their proximity—demonstrate similar economic conditions and the scope of risks, and thus must be seen as largely uniform. The above reasons determine the election of the business segment for the Group as the main reporting model applied for segments, with the geographical segment being only supplementary.

The following business segments are distinguished within the Group:

1. The wholesale business (Wholesale Segment) pursued by the following subsidiaries: BOS S.A., DLS S.A., Sygel-Jool S.A., Express Podlaski Sp. z o.o., DEF Sp. z o.o., Arsenal Sp. z o.o., Tradis Sp. z o.o., Alpaga-Xema Sp. z o.o., Sydo Sp. z o.o., involving wholesale distribution of goods and provision of related goods-distribution services;

2. The retail business (Retail Segment) comprised of the entire operations of the following subsidiaries: Stokrotka Sp. z o.o., Detal Koncept Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Centrum Sp. z o.o., Euro Sklep S.A., involving retail distribution and provision of related retail-distribution services;

3. The last business segment (Other Segments) includes the entire holding operation of the Issuer's Company and the operations of the other subsidiaries, Elpro Sp. z o.o., Infinite Sp. z o.o., Emperia Info Sp. z o.o. (property development and IT) and PSD S.A. Given the material consolidation exclusions and the overall limited significance (the segment does not meet any of the verge thresholds provided for under IAS 14) these are reported as a single item.

As regards geographical segments, given the above considerations, the Group does not distinguish any other segments except for the entire Poland.

EMPERIA HOLDING S.A. all amounts in thousands PLN

The Group applies uniform accounting policies for all the segments. Business transactions between segments are on an arm's length basis; any such transactions are subject to exclusion in the consolidated financial statements.

Starting from this report the way of segments presentation was change. Consolidation Exclusions are shown in a separate column, not as till now attributed directly to segments. In relation to comparative data for 2007 changes was made appropriately:

The tables below present information regarding the Group's business segments in 2008

	Wholesale	**Retail**	**Other**	Consolidation Exclusions	**Total**
Segment total revenues	4 466 976	1 507 260	78 794	795 912	5 257 118
Segment revenues (from external clients/customers)	3 750 725	1 492 571	13 822		5 257 118
Segment revenues (from other segments)	716 251	14 689	64 972	795 912	
Segment total costs	(4 394 150)	(1 496 480)	(69 274)	(796 693)	(5 163 211)
Result on other operations	31 246	6 542	5 372	41 055	2 105
Result on financial operations	(10 824)	(5 338)	(4 398)	(4 991)	(15 569)
Segment result (gross)	3 771 147	1 493 775	14 796	36 064	80 443
Taxation	(20 888)	(4 040)	(2 899)	(8 171)	(19 656)
Share in financial result entities valued using the equity method			(1 581)		(1 581)
Result	3 750 259	1 489 735	10 316	27 893	59 206

	Wholesale	**Retail**	**Other**	Consolidation Exclusions	**Total**
Segment assets	1 258 787	433 056	775 131	(741 706)	1 725 268
Segment liabilities	1 258 787	433 056	775 131	(741 706)	1 725 268

	Wholesale	**Retail**	**Other**	Consolidation Exclusions	**Total**
Investment outlays	(86 409)	(67 101)	(91 269)	(62 582)	(182 197)
Depreciation	(22 020)	(23 761)	(8 249)	(1 102)	(52 928)

The tables below present information regarding the Group's business segments in 2007:

	Wholesale	**Retail**	**Other**	Consolidation Exclusions	**Total**
Segment total revenues	3 881 731	1 076 968	34 979	568 845	4 424 833
Segment revenues (from external clients/customers)	3 339 332	1 070 049	15 452		4 424 833
Segment revenues (from other segments)	542 399	6 919	19 527	568 845	
Segment total costs	(3 777 556)	(1 069 522)	(27 009)	(569 327)	(4 304 760)
Result on other operations	1 986	15 309	48	1 232	16 111
Result on financial operations	(21 787)	(3 032)	(1 476)	(626)	(25 669)
Segment result (gross)	104 175	7 446	7 970	(9 757)	110 515
Taxation	(16 050)	(4 559)	(907)	582	(22 098)
Result (net)	88 125	2 887	7 063	(9 175)	88 417

all amounts in thousands PLN

	Wholesale	Retail	Other	Consolidation Exclusions	Total
Segment assets	1 624 805	321 286	101 699	560 588	1 487 202
Segment liabilities	1 624 805	321 286	101 699	560 588	1 487 202

	Wholesale	Retail	Other	Consolidation Exclusions	Total
Investment outlays	(52 557)	(55 997)	(30 601)	(6 463)	(132 692)
Depreciation	22 308	15 644	2 579	555	39 976

Note 41 Off-balance sheet liabilities

The Group's off-balance sheet liabilities comprise security interests pledged by the Group to secure credit facilities and loans contracted by it and financial guarantees.

In addition, the majority of the Group's supplier grants to the Company extended terms of payment (trade credit) which is secured by the Companies by issuing blank bills of exchange.

Changes in off-balance sheet liabilities in 2008:

Changes in off-balance sheet liabilities	Under bank credit facilities	Under bank guarantees	Under financial guarantees
Mortgages			
As at the beginning of the period	63 034	0	
Increases during the period	*41 400*	*7 800*	
Reductions during the period	*(11 078)*	*0*	
Increases/reductions during the period resulting from acquisitions	*0*	*0*	
As at the end of the period	93 356	7 800	
Transfer of title as security/pledge/assignment of current assets			
As at the beginning of the period	221 945	18 225	
Increases during the period	*132 300*	*12 411*	
Reductions during the period	*(80 459)*	*(9 311)*	
Increases/reductions during the period resulting from acquisitions	*8 000*	*0*	
As at the end of the period	281 786	21 315	
Transfer of title as security/pledge/assignment of fixed assets			
As at the beginning of the period	10 810		
Increases during the period	*0*		
Reductions during the period	*(8 578)*		
Increases/reductions during the period resulting from acquisitions	*0*		
As at the end of the period	2 232		
Guarantees			
As at the beginning of the period	70 000	0	3 969
Increases during the period	*117 500*	*10 667*	*33*
Reductions during the period	*(119 000)*	*(2 631)*	*(467)*
Increases/reductions during the period resulting from acquisitions	*0*	*0*	*0*
As at the end of the period	68 500	8 036	3 535

all amounts in thousands PLN

Emperia Holding S.A. extended corporate financial guarantees of PLN 68,500,000 to its subsidiaries with respect to bank credit facilities contracted by them. The guarantees are only temporary in nature and have been extended until regular security for those credit facilities is established.

Changes in off-balance sheet liabilities in 2007:

Changes in off-balance sheet liabilities	Under bank credit facilities	Under bank guarantees	Under financial guarantees
Mortgages			
As at the beginning of the period	122 532	750	519
Increases during the period	*12 654*	*0*	*16*
Reductions during the period	*(72 152)*	*(750)*	*(535)*
As at the end of the period	63 034	0	0
Transfer of title as security/pledge/assignment of current assets			
As at the beginning of the period	249 830	12 245	
Increases during the period	*252 493*	*6 530*	
Reductions during the period	*(280 378)*	*(550)*	
As at the end of the period	221 945	18 225	
Transfer of title as security/pledge/assignment of current assets			
As at the beginning of the period	82 278	1 879	
Increases during the period	*21 188*	*0*	
Reductions during the period	*(92 656)*	*(1 879)*	
As at the end of the period	10 810	0	
Guarantees			
As at the beginning of the period	0		4 320
Increases during the period	*227 000*		*1 200*
Reductions during the period	*(157 000)*		*(1 551)*
As at the end of the period	70 000		3 969

Emperia Holding S.A. extended corporate financial guarantees of PLN 70,000,000 to its subsidiaries with respect to bank credit facilities contracted by them. The guarantees are only temporary in nature and have been extended until regular security for those credit facilities is established.

Note 42 Financial and operating leases.

Liabilities under financial leases	31 December 2008	
	Minimum payments	**Current value of minimum payments**
Up to 1 year	2 189	1 936
From 1 to 5 years	3 632	2 879
Over 5 years	121	120
Total	**5 942**	**4 935**

Liabilities under financial leases	31 December 2007	
	Minimum payments	**Current value of minimum payments**
Up to 1 year	2 441	1 960
From 1 to 5 years	4 804	3 955
Over 5 years	894	820
Total	**8 138**	**6 735**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Agreements containing a lease according to IFRIC 4

Description of assets	Term of agreement	As at 31/12/2008	As at 31/12/2009	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	Definite	68 637	74 868	285 353	305 557
	indefinite	4 824	3 454	12 427	14 918
Machinery and equipment	Definite	60	53	212	264
	indefinite				
Vehicles	Definite	10 790	8 384	24 857	68
	indefinite	344	192	749	937
Other fixed assets	Definite	13	13	51	63
	indefinite				

Agreements containing a lease according to IFRIC 4

Description of assets	Term of agreement	As at 31/12/2007	As at 31/12/2008	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	Definite	47 380	55 360	203 721	224 678
	indefinite	6 337	5 298	19 165	21 284
Machinery and equipment	Definite	60	3		
	indefinite	8			
Vehicles	Definite	1 272	3 128	11 280	
	indefinite	118	101	389	389
Other fixed assets	Definite				
	indefinite				

Operating leases

Description of assets	Term of agreement	As at 31/12/2008	As at 31/12/2009	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	definite	619	619	619	
	indefinite	166	164		
Machinery and equipment	definite				
	indefinite				
Vehicles	definite	19			
	indefinite				
Other fixed assets	definite				
	indefinite				

Operating leases

Description of assets	Term of agreement	As at 31/12/2007	As at 31/12/2008	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	definite				
	indefinite				
Machinery and equipment	definite		11		
	indefinite				
Vehicles	definite		20		
	indefinite				
Other fixed assets	definite	146			
	indefinite				

all amounts in thousands PLN

Note 43 Liabilities to national budget or units of territorial government from title of obtaining ownership of buildings and structures

Group does not have any Liabilities to national budget or units of territorial government from title of obtaining ownership of buildings and structures

Note 44 Commitments to purchase tangible fixed assets.

No such event occurred in the Group in 2008.

Note 45 Significant transactions of dominant company Emperia Holding SA with related entities

In 2008 Emperia did not make significant transactions with related entities, apart transactions made in normal business activities on market conditions.
Internal Mergers made in 2008 within Capital Group were described in note 10.2.9
In the management of cash flows in Group, were issuances of short-term bonds, described in detail in note 23.

Transactions of Capital Group Companies with subsidiaries entities excluded from consolidation

Trade receivables from subsidiaries entities excluded from consolidation	**31 December 2008**	**31 December 2007**
Trade receivables of Emperia Holding SA from subsidiaries entities excluded from consolidation	23	23
Trade receivables of other companies from subsidiaries entities excluded from consolidation	1 562	484
Total trade receivables from subsidiaries entities excluded from consolidation	**1 585**	**507**

Other receivables from subsidiaries entities excluded from consolidation	**31 December 2008**	**31 December 2007**
Emperia Holding SA		
Other companies	676	2
Total other receivables from subsidiaries entities excluded from consolidation	**676**	**2**

Trade commitments to subsidiaries entities excluded from consolidation	**31 December 2008**	**31 December 2007**
Trade commitments of Emperia Holding to subsidiaries entities excluded from consolidation		
Trade commitments of other companies to subsidiaries entities excluded from consolidation	6 644	3 749
Total trade commitments to subsidiaries entities excluded from consolidation	**6 644**	**3 749**

all amounts in thousands PLN

Other commitments from subsidiaries entities excluded from consolidation	31 December 2008	31 December 2007
Emperia Holding SA		
Other companies	68	3 000
Total other commitments from subsidiaries entities excluded from consolidation	**68**	**3 000**

Revenues from sales of goods and materials from subsidiaries entities excluded from consolidation	31 December 2008	31 December 2007
Emperia Holding SA	9	
Other companies	2 626	1 355
Total revenues from sales of goods and materials from subsidiaries entities excluded from consolidation	**2 635**	**1 355**

Cost of goods and materials sold to subsidiaries entities excluded from consolidation	31 December 2008	31 December 2007
Emperia Holding SA	8	
Other companies	2 533	1 320
Total Cost of goods and materials sold to subsidiaries entities excluded from consolidation	**2 541**	**1 320**

Revenues from sales of products and services from subsidiaries entities excluded from consolidation	31 December 2008	31 December 2007
Emperia Holding SA	40	
Other companies	88	
Total revenues from sales of products and services from subsidiaries entities excluded from consolidation	**128**	

Note 46 Information on average employment

Description	Average employment in 2008 (in persons)		
	Total	White-collar workers	Manual workers
Total	**11 966**	**3 529**	**8 437**
Emperia Holding S.A.	370	370	0
Stokrotka Sp. z o.o.	4 334	820	3 514
Infinite Sp. z o.o.	38	37	1
Detal Koncept Sp. z o.o.	598	406	192
Elpro Sp. z o.o.	48	43	5
BOS S.A.	809	289	520
Sygel-Jool S.A.	542	182	360
DLS S.A.	894	128	766
Tradis Sp. z o.o.	1 944	637	1 307
DEF Sp. z o.o.	224	88	136
Express Podlaski Sp. z o.o.	321	96	225
Arsenal Sp. z o.o.	56	38	18
Lewiatan Podlasie Sp. z o.o.	107	32	75
Maro Markety Sp. z o.o.	365	21	344
Centrum Sp. z o.o.	485	22	463
Społem Tychy Sp. z o.o.	424	118	306

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Euro Sklep Sp. z o.o.	146	25	121
Sydo Sp. z o.o.	103	47	56
Alpaga-Xema Sp. z o.o.	53	25	28
Emperia Info Sp. z o.o.	105	105	0

Description	Average employment in 2007 (in persons)		
	Total	White-collar workers	Manual workers
Total	**9 958**	**2 684**	**7 274**
Emperia Holding S.A.	598	356	242
Stokrotka Sp. z o.o.	2 961	652	2 309
Infinite Sp. z o.o.	34	33	1
Detal Koncept Sp. z o.o.	83	81	2
Elpro Sp. z o.o.	37	34	3
BOS S.A.	709	168	541
Sygel-Jool S.A.	415	166	249
DLS S.A.	902	196	706
Milea Sp. z o.o.	90	35	55
Tradis Sp. z o.o.	1 364	393	971
DEF Sp. z o.o.	223	88	135
Express Podlaski Sp. z o.o.	414	121	293
Arsenal Sp. z o.o.	50	35	15
Rexpol Sp. z o.o. in liquidation	6	6	0
Jaskółka Sp. z o.o.	451	42	409
Lewiatan Podlasie Sp. z o.o.	104	29	74
Maro Markety Sp. z o.o.	319	22	297
Centrum Sp. z o.o.	527	27	500
Społem Tychy Sp. z o.o.	535	164	371
Euro Sklep S.A.	137	36	101

Note 47 Information about salaries of managers and supervisors

Salaries of management board of Emperia Holding S.A., according to principles established by a Supervisory Board consist of the fundamental part and the bonus: annual and three-year-old.
Paid bonuses concern previous reporting periods, to which reserves set up were in previous periods. The amount of the granted bonus is not higher than the 50% of the annual salary and she is being paid quarterly in the form of advance payments, accounted after finishing the rotational year.

Amount of salaries and awards for persons managing in Emperia holding company plc behind 2008 (in the PLN thousand):

No.	Name and surname	Basic salary Total	Bonuses	Material benefits and the sickness salary	Total
1.	Kawa Artur	378,0	105,3	1,9	485,2
2.	Wawerski Jarosław	164,7	95,6	18,8	279,1
3.	Kalinowski Dariusz	377,0	48,3	1,9	427,2
4.	Wawerski Grzegorz	36,0	4,1	0,0	40,1
5.	Wesołowski Marek	60,0	8,2	0,0	68,2
6.	Laskowski Piotr *	20,0	2,2	0,0	22,2
7.	Bronisz-Czyż Renata **	118,9	73,6	0,9	193,4
8.	Dudzik Jacek **	132,0	79,6	0,9	212,5
9.	Rudnicki Jarosław **	143,9	86,7	0,9	231,5

EMPERIA HOLDING S.A. all amounts in thousands PLN

10.	Syguła Lesław **	96,4	71,3	0,7	168,4
	Total	**1 526,9**	**574,9**	**26,0**	**2 127,8**

* Member of the Management Board till 03-01-2008 year
** Member of the Management Board till 27-05-2008 year

Salaries and awards for Emperia Management Board Members in authorities of dependent companies in 2008 year (in the PLN thousand):

Lp.	Name and surname	Total
1.	Wawerski Grzegorz	427,3
2.	Wesołowski Marek	413,0
3.	Wawerski Jarosław	194,6
4.	Syguła Lesław	18,5
5.	Bronisz-Czyż Renata	0,0
6.	Rudnicki Jarosław	0,0
	TOTAL	**1 053,4**

Rewarding of Members of Supervisory Board Emperia Holding S.A. for 2008 year:

Lp.	Name and surname	Total
1.	Długosz Piotr	36,0
2.	Kawa Piotr	36,0
3.	Krysztofiak Tomasz	36,0
4.	Laskowski Piotr	35,9
5.	Mierzejewski Zenon	36,0
6.	Zięba Ireneusz	36,0
	TOTAL	**215,9**

Note 48 Information about the amount of unpaid advance payments, credit, loans and of the guarantee for managing and supervising persons

Dominating company Emperia Holding SA is declaring that he, has no claim in respect of advances, loans or guarantees from the members of the Management Board and Supervisory Board members, their spouses and relatives of people with them.

Note 49 Information on salaries of entity authorized to audit financial statements.

In 2008 Group enter into contract with BDO Numerica International Auditors & Consultants`Sp. z o.o. to audit and review of semi-annual and annual consolidated financial statement of Emperia Holding S.A. for 2008.

Furthermore in 2008 Group commissioned to entity authorized to audit financial statements services:
● due diligence (BDO Numerica International Auditors & Consultants`Sp. z o.o. and Doradca Zespół Doradców Finansowo-Księgowych Spółka z o.o.),
● tax consultancy (Doradca Zespół Doradców Finansowo-Księgowych Spółka z o.o.),
● accounting consultancy (BDO Numerica International Auditors & Consultants`Sp. z o.o.).

Following table contains a list of services and remuneration for 2008 and 2007 for entities authorized to audit financial statements (in thousands PLN):

Salaries of entity authorized to audit financial statements	**2008**	**2007**
Audit and review of financial statement	706	892
Accounting consultancy (transform to IFRS)	0	27
Due diligence	22	22
Tax consultancy	50	12
Services related to issue of shares	0	68
Expertise and other services	35	73
TOTAL	**813**	**1 094**

Nota 50 Financial instruments and risk assessment of these instruments

Financial risk management

Capital Group activity is subject to the following financial risks:

a) credit risk,
b) liquidity risk,
c) market risk:
   - currency risk,
   - interest rate risk,
   - other price risk.

a) credit risk – the risk that one party to a financial instrument failing to discharge its obligations to the Group will bear its financial losses. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, bonds purchased, the deposit made.
Distribution segment of the Group is affected mainly by this kind of risk. Sales to retail customers in an important degree is under deferred payment. In the distribution companies are many mechanisms to reduce this element of risk: the appropriate mix of customers, a system of verification of new customers, the use of credit limits, ongoing monitoring of receivables. Retail segment is negligible extent, affected by this type of risk. Sales of the segment is passed to retail customers and shall be for cash or by cashless payment cards.
Group invests money held in a credible (selected on the basis of the rating) financial institutions. Bonds are short-term bonds issued by Group companies.

b) liquidity risk – the risk that the Group will encounter difficulty in meeting obligations associated with financial commitments. Group takes care to maintain liquidity at an appropriate, safe level.
After completion of the budget group is to work with her financial institutions to grant appropriate credit limits.
Group uses external financing from loans and bonds issued by selected companies of the Group.
Bonds in addition to the functions of financing activities also optimize the management of liquidity within the Group.
Cooperation with many financial institutions, providers of the Group secured financial instruments diversifies the problem of liquidity risk. Financial services on an ongoing basis monitor the financial and payment by the Group.

c) market risk – the risk that the fair value of financial instrument or future cash flows associated with them will fluctuate due to changes in market prices. This risk includes three types of risk: currency risk, interest rate risk, other price risk.

currency risk – the risk that the fair value of financial instrument or future cash flows associated with them will fluctuate due to changes in exchange rates. The Group's activities in the field of imports and exports is small, it serves mainly to complement its commercial offer. In the case of significant transactions forward hedging instruments are used in. In small transactions short payment terms are used, which significantly reduces the risk of a problem. The Group's dealings in forward foreign exchange contracts include Arsenal Sp. z o.o. established in Bialystok.

Company Arsenal made the security of its export receivables denominated in freely convertible currencies through forward transactions for the sale of these currencies. Security shall be made after completion of the sale. The value and maturity of futures contracts correspond to the value and maturity periods of hedged debt.

The company also secures Arsenal forward contracts to sell currency future cash flows arising out of trade agreements, defining the top of deadlines, quantity, price and value of goods contracted by foreign customers.
Closes all opened forward contracts held by the physical delivery of currency derived subject to the security of receipts.
Group don't use debt instruments currency either denominated.
Currency risk increasingly occurs in retail segment activities and involves renting property particularly from developers in large malls where rent and remaining fees are set based course PLN and EUR.
Currently, the Group did not protect this type of transaction (their number is not so important), ongoing monitor the level of the course and its trend.

interest rate risk – risk that the fair value of financial instrument or future cash flows associated with them will fluctuate because of changes in market interest rates
Group occasionally invests surplus funds in interest-bearing assets, so the risks associated with changes in interest rates in these transactions is treated as irrelevant. The exception is the bond purchasing operations within the Group.
These transactions serves for cash-flow management within the Group and changes in interest rates do not affect the result (there are bilateral, balancing cash flow).
The main risk in the Group is related to the change in interest rates associated with debt instruments. Group uses instruments with floating rate debt (loans and bonds), which exposes it to changes in cash flows due to changes in interest rates.

other price risk.– the risk that the fair value of financial instrument or future cash flows associated with them will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instruments or to the issuer, or factors affecting all similar financial instruments traded in the market. Group does not use financial instruments which carry a price risk.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Classification of financial instruments - MSR 39

Financial Assets according to balance	2008 fair value	2008 book value	Classification of financial instruments - MSR 39 (book value)						Other (book value)
			at fair value through profit or loss		at fair value through changes in equity		measured at amortized cost		
			designated upon initial recognition	held for trading	available for sale	hedge accounting	loans and receivables	held to maturity	
Financial Assets									
Shares	8 664	8 664			8 664				
Loans									
Long-term	1 667	1 667					1 667		
Short-term	200	200					200		
Deposits made and other long-term receivables	6 852	6 852					6 852		
Trade debtors	338 556	338 556					338 556		
Other receivables	8 363	8 363					8 363		
Debt securities	-	-							
Cash	50 023	50 023							50 023

Financial liabilities according to balance	2008 fair value	2008 book value	Classification of financial instruments - MSR 39 (book value)					Other (book value)
			at fair value through profit or loss		measured at amortized cost	hedge accounting		
			designated upon initial recognition	held for trading		fair value hedge	future cash flows hedge	
Financial liabilities								
Bank loans	-	-						
Long-term	282 146	282 146			282 146			
Short-term	22 903	22 903			22 903			
Financial leasing								
Long-term	*3 117*	*3 117*			*3 117*			
Short-term	*1 936*	*1 936*			*1 936*			
Deposit retained and other long-term liabilities	5 498	5 498			5 498			
Debt securities	998	998			998			
Valuation of other instruments – derivatives	3 478	3 478				1 403	2 075	
Trade payables	531 107	531 107			531 107			
Other liabilities	52 546	52 546			52 546			

EMPERIA HOLDING S.A. all amounts in thousands PLN

Classification of financial instruments - MSR 39

Financial Assets according to balance	**2007** fair value	**2007** book value	**Classification of financial instruments - MSR 39 (book value)**						Other (book value)
			at fair value through profit or loss		at fair value through changes in equity		measured at amortized cost		
			designated upon initial recognition	held for trading	available for sale	hedge accounting	loans and receivables	held to maturity	
Financial Assets									
Shares	31 098	31 098			31 098				
Loans									
Long-term	1 667	1 667					1 667		
Short-term	-	-							
Deposits made and other long-term receivables	4 769	4 769					4 769		
Trade debtors	311 445	311 445					311 445		
Other receivables	11 857	11 857					11 857		
Debt securities	-	-							
Cash	92 407	92 407							92 407

Financial liabilities according to balance	**2007** fair value	**2007** book value	**Classification of financial instruments - MSR 39 (book value)**					Other (book value)	
			at fair value through profit or loss		measured at amortized cost fair value hedge	hedge accounting			
			designated upon initial recognition	designated upon initial recognition		fair value hedge	future cash flows hedge		
Financial liabilities									
Bank loans	-	-							
Long-term	124 414	124 414			124 414				
Short-term	57 632	57 632			57 632				
Loans	-	-							
Long-term	421	421			421				
Financial leasing									
Long-term	*4 775*	*4 775*			*4 775*				
Short-term	*1 960*	*1 960*			*1 960*				
Deposit retained and other long-term liabilities	1 966	1 966			1 966				
Debt securities	16 776	16 776			16 776				
Valuation of other instruments – derivatives	4 429	4 429		4 429					
Trade payables	483 596	483 596			483 596				
Other liabilities	35 522	35 522			35 522				

all amounts in thousands PLN

Structure of financial assets (overdue at the reporting date, but have not lost value)

- Structure of trade debtors (overdue at the reporting date, but have not lost value)

Period	Nominal value of receivables	Term receivables (which have not lost value)	Overdue receivables (which have not lost value) up to 1 month	Overdue receivables (which have not lost value) over 1 month to 3 months	Overdue receivables (which have not lost value) over 3 months to 6 months	Overdue receivables (which have not lost value) over 6 months to 1 year	Overdue receivables (which have not lost value) over 1 year
2008	338 556	231 176	81 987	24 203	1 190	0	0
2007	311 445	203 464	82 796	21 243	3 942	0	0

Other financial assets are not overdue at the reporting date

Impairment loss for bad debts due to credit losses

Impairment loss for bad debts due to credit losses	30 June 2008	31 December 2007
Opening balance	**(29 577)**	**(6 718)**
Additions	(14 997)	(33 114)
Disposals	5 242	6 344
Exploitation	4 919	3 911
Closing balance	**(34 413)**	**(29 577)**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Age structure of financial liabilities

Description	Total liabilities	Liabilities period			
		up to 1 year	1-2 years	2-5 years	over 5 years
2008					
Bank loans	305 049	22 903	226 200	10 068	45 878
Loans	-	-			
Financial leasing	5 053	1 936	1 936	1 061	120
Deposit retained and other long-term liabilities	5 498				5 498
Debt securities	998	998			
Valuation of other instruments – derivatives	3 478	3 478			
Trade payables	531 107	531 107			
Other liabilities	52 546	52 546			
2007					
Bank loans	182 046	57 632	46 304	57 006	21 104
Loans	421		421		
Financial leasing	6 735	1 960	1 936	2 019	820
Deposit retained and other long-term liabilities	1 966				1 966
Debt securities	16 776	16 776			
Valuation of other instruments – derivatives	4 429	4 429			
Trade payables	483 596	483 596			
Other liabilities	35 522	35 522			

Age structure of financial liabilities (overdue at the reporting date)

- Age structure of trade payables (overdue at the reporting date)

Period	Total liabilities	Term liabilities	Overdue liabilities up to 1 month	Overdue liabilities over 1 month to 3 months	Overdue liabilities over 3 months to 6 months	Overdue liabilities over 6 months to 1 year	Overdue liabilities over 1 year
2008	531 107	473 766	54 773	1 535	289	330	414
2007	483 596	422 327	57 674	2 924	470	14	187

Other financial liabilities are not overdue at the reporting date

EMPERIA HOLDING S.A. all amounts in thousands PLN

Sensitivity analysis

Interest rate risk – 01.01.2008 – 31.12.2008

Financial Assets according to balance	Financial assets book value	Effect on profit before tax (increase of 1%)	Effect on equity (assets available for sale) (increase of 1%)	Effect on profit before tax (decrease of 1%)	Effect on equity (assets available for sale) (decrease of 1%)
Financial Assets					
Shares	8 664				
Loans					
Long-term	1 667				
Short-term	*200*				
Long-term deposits made	6 852				
Trade debtors	338 556				
Other receivables	8 363				
Debt securities	-				
Cash	50 023				
cask at cash desk	*5 882*				
cash at bank	*23 390*				
other	*20 587*				
other financial assets	*164*				
Financial liabilities					
Bank Loans	305 049	(149)		149	
Long-term	282 146				
Short-term	22 903				
Loans	-				
Long-term	-				
Financial leasing	5 053	(6)		6	
Long-term	*3 117*				
Short-term	*1 936*				
Long-term deposit retained	5 498				
Debt securities	998				
Valuation of other instruments – derivatives	3 478				
Trade payables	531 107				
Other liabilities	52 546				
Total		(155)		155	

Group does not make a sensitivity analysis for foreign exchange risk, because foreign risk is not relevant to the Group and also is secured by futures.
Price risk is not relevant to the Group.

EMPERIA HOLDING S.A. all amounts in thousands PLN

Interest rate risk – 01.01.2007 – 31.12.2007

Financial Assets according to balance	Financial assets book value	Effect on profit before tax (increase of 1%)	Effect on equity (assets available for sale) (increase of 1%)	Effect on profit before tax (decrease of 1%)	Effect on equity (assets available for sale) (decrease of 1%)
Financial Assets					
Shares	31 098				
Loans					
Long-term	1 667				
Short-term	86				
Long-term deposits made	4 769				
Trade debtors	311 445				
Other receivables	11 857				
Debt securities	-				
Cash	92 407				
cask at cash desk	*4 836*				
cash at bank	*73 426*				
other	*14 145*				
other financial assets					
Financial liabilities					
Bank Loans					
Long-term	124 414	(15)		15	
Short-term	57 632	(7)		7	
Loans	-				
Long-term	421				
Financial leasing					
Long-term	*4 775*	(1)		1	
Short-term	*1 960*				
Long-term deposit retained	1 966				
Debt securities	16 776	(2)		2	
Valuation of other instruments – derivatives	4 429				
Trade payables	483 596				
Other liabilities	35 522				
Total		(26)		26	

Group does not make a sensitivity analysis for foreign exchange risk, because foreign risk is not relevant to the Group and also is secured by futures.
Price risk is not relevant to the Group.

all amounts in thousands PLN

Profit or losses by category of instrument

Interest income	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Bank deposits	1 577	1 195
Bonds		
Loans granted	19	46
Trade debtors	683	804
Other	16	
	2 279	**2 045**

Interest costs	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Bank credits	(14 922)	(13 030)
Loans received		(7)
Financial leasing	(584)	(612)
Debt securities	(74)	(580)
Trade payables	(30)	(108)
Other		(70)
	(15 610)	**(14 407)**

Profit or losses by category of instrument	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Assets at fair value through profit or loss		(11 197)
- designated upon initial recognition		
- held for trading		(11 197)
Available for sale (amount transferred form equity)		
Loans and receivables, including:	(6 648)	808
- profit and losses on interest	702	850
- impairment loss on value	(6 927)	(187)
- exchange differences in 2008 adjusted for the result of hedging instruments	(423)	408
- discount		(263)
Investments held to maturity (including profit and losses on interest)		
Liabilities at fair value through profit or loss		
- designated upon initial recognition		
- held for trading		
Liabilities measured at amortized cost (including profit and losses on interest)	(15 610)	(14 407)

Losses from impairment	**01.01.2008 – 31.12.2008**	**01.01.2007 - 31.12.2007**
Assets available for sale		
Loans and receivables	(6 927)	(187)
Investments held to maturity		
	(6 927)	**(187)**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Risk management for capital

Group manages capital in order to preserve the ability to continue its operations including the implementation of planned investments, so that it could generate a return for the benefit of shareholders and other stakeholders, and to maintain an optimal capital structure to reduce its cost

In accordance with market practice group monitors capital on the basis of the ratio of equity and index credits, loans and other sources of funding / EBITDA.

Equity index is calculated as the ratio of net tangible assets (equity minus intangible assets) to the balance sheet.

Index credits, loans and other sources of funding / EBITDA is calculated as the ratio of credits, loans and other funding sources to EBITDA. Credits, loans and other sources of funding means the total amount of liabilities, loans and leases, while EBITDA is operating profit plus depreciation.

In order to maintain liquidity and credit enabling the mobilization of external financing at a reasonable cost level Group will strive to maintain the equity ratio at a level no lower than 0.5 while the rate of credits, loans and other sources of funding / EBITDA to 2.0.

	31.12.2008	**31.12.2007**
Equity	*745 083*	*689 322*
Intangible assets	*6 367*	*3 576*
Shareholders' equity minus intangible assets	738 716	685 746
Balance sheet total	1 725 268	1 487 202
Equity index	**0,43**	**0,46**

	31.12.2008	**31.12.2007**
Profit from operations	*96 012*	*136 185*
Amortization	*52 928*	*39 970*
EBIDTA	148 940	176 155
Credits, loans and other sources of funding	314 578	210 407
Credits, loans and other sources of funding / EBITDA index	**2,11**	**1,19**

At the Capital Group is not resting any capital requirements in the previous year and 2008 year.

Other risk

Rules of goods and services tax, income tax from legal persons , individual, or social insurance contributions are subject to frequent change, with the result that sometimes there is no reference to established rules or legal precedents. Existing regulations contain also ambiguities, which cause differences in opinion , in the interpretation of tax law between State authorities, as well as between State authorities and companies. Tax settlements and other (for example customs or foreign currency) may be subject to inspection, which are entitled to impose substantial penalties, established as a result of control additional amounts of commitments must be paid together with interest. Those situations cause that tax risk in Poland is higher than risk in countries with more developed tax systems. Tax compliance can be inspected during five years. As a result, the amount of the financial statements may be changed further date after the final determination of their amount by the tax authorities. The company was subject of review by the tax authorities. Controls which was carried out in the Company showed no significant abnormalities. Company is of the view, that she created adequate reserves for probable and possible to quantify risks.

Note 51 Material events after the period of the financial statements

a) Merger of Stokrotka Sp. z o.o. and Centrum Sp. z o.o. with its seat in Bartoszyce.

Following the acquisition by Emperia Holding S.A. of the newly issued shares in the increased initial capital of Stokrotka Sp. z o.o. in return for an in-kind contribution comprising an interest in Centrum Sp. z o.o., on 2 January 2009 a merger of both the companies, that is Stokrotka Sp. z o.o. with its seat in Lublin and Centrum Sp. z o.o. with ins seat in Bartoszyce, was effected. On the same date Centrum outlets started operating as part of Stokrotka.

b) Purchase of shares in Przedsiębiorstwo Handlowe „Centrum - Społem" Sp. z o.o. with its seat in Sanok.

On 5 January 2009, Stokrotka Sp. z o.o. ("Stokrotka") acquired 100 percent of shares in a limited liability company, Przedsiębiorstwo Handlowe „Centrum - Społem" Sp. z o.o. ("Company") with its seat in Sanok. Stokrotka acquired from a joint-stock company, FRAC S.A. with its seat in Rzeszów ("FRAC"), being the Company's shareholder, 5,013 shares of the nominal value of PLN 100 each, accounting for 55.13 percent of the initial capital and carrying 55.13 percent of votes at the general meeting of shareholders, and from a cooperative, Powszechna Spółdzielnia Spożywców with its seat in Sanok ("PSS"), being the Company's shareholder, 4,080 shares of the nominal value of PLN 100 each, representing 44.87 percent of the initial capital and carrying 44.87 percent of votes at the general meeting of shareholders. In aggregate, Stokrotka acquired from the above legal entities 9,093 shares of the nominal value of PLN 100 each, representing 100 percent of the initial capital and carrying 100 percent of votes at the general meeting of shareholders. Following the acquisition, Emperia Holding S.A., either directly or indirectly through its subsidiaries, holds an interest representing 100 percent of the initial capital of the Company and carrying 100 percent of votes at the general meeting of shareholders. The shares were acquired for the aggregate amount of PLN 5,600,000. Przedsiębiorstwo Handlowe „Centrum - Społem" Sp. z o.o. is a food and manufactured product retailer. In 2008, the estimated revenues of the Company were in excess of PLN 12,000,000.

c) Purchase of further shares in Lewiatan Śląsk Sp. z o.o. with its seat in Sosnowiec.

On 7 January 2009, Emperia Holding acquired an interest comprising 10 shares in a limited liability company, Lewiatan Śląsk Sp. z o.o. with its seat in Sosnowiec, which—alongside the interest previously held by subsidiary joint-stock company Sygel-Jool S.A.—carries 86.76 percent of votes at the general meeting of shareholders and represents 86.76 percent of the share capital of Lewiatan Śląsk Sp. z o.o.

On 9 January 2009, Emperia Holding acquired a further interest of 7 shares in Lewiatan Śląsk Sp. z o.o. with its seat in Sosnowiec, which—alongside the shares already held by Sygel-Jool S.A. subsidiary—represents 97.06 percent of votes at the general meeting of shareholders and 97.06 percent of shares in the initial capital of Lewiatan Śląsk Sp. z o.o.

On 13 January 2009, Emperia Holding acquired 1 share in a limited liability company, Lewiatan Śląsk Sp. z o.o. with its seat in Sosnowiec, which—alongside the shares held previously by Sygel-Jool S.A. subsidiary—carries 98.53 percent of votes at the meeting of shareholders and accounts for 98.53 percent of the initial capital of Lewiatan Śląsk Sp. z o.o.

d) Acquisition of shares in a newly established Lewiatan Północ Sp. z o.o. with its seat in Gdańsk.

On 9 January 2009, Emperia Holding SA ("Emperia") acquired shares in a newly established limited liability company in organisation styled as Lewiatan Północ Sp. z o.o. w organizacji ("Company"). Emperia Holding S.A. acquired 600 shares of the nominal value of PLN 500 each and of the aggregate nominal value of PLN 300,000. The shares were acquired in return for a cash contribution of PLN 300,000. The shares represent 100% of the share capital of Lewiatan Północ Sp. z o.o. and carry 100 votes (100%) at the Company's meeting of shareholders.

The Company organises and manages a chain of over 150 FMCG retail franchises offering the aggregate selling area of some 15,000 sq. m. The establishment of Lewiatan Północ Sp. z o.o. is part of the development strategy pursued by the Emperia Trading Group, which features active consolidation of the retail and wholesale market in Poland as its underlying assumption.

e) Increase of share capital of Detal Koncept Sp. z o.o.

On 20 January 2009, the Management Board of Emperia Holding S.A. received a decision of 12 January 2009 regarding the registration by the Regional Court in Lublin of the increased initial capital of a limited liability subsidiary, Detal Koncept Sp. z o.o. ("Company"). The capital was upped by PLN 10,000,000. Following the registration, the initial capital of the Company comprises 28,606 shares of PLN 500 each, of the total value of PLN 14,303,000.

Emperia Holding S.A. holds 100 percent of shares in the initial capital of Detal Koncept Sp. z o.o. carrying 100 percent of votes at the general meeting of shareholders.

f) Purchase of further shares in Związek Kupców i Producentów Lewiatan 94 Holding S.A. with its seat in Włocławek.

On 27 January 2009, Emperia Holding acquired 93,202 shares in the initial capital of a joint-stock company, ZKiP Lewiatan 94 Holding S.A. with its seat in Włocławek, which—alongside the previously held shares—carry 39.33 percent of votes at the meeting of shareholders and account for 25.92 percent of the initial capital of ZKiP Lewiatan 94 Holding S.A.
Emperia Holding S.A. holds directly and indirectly through subsidiaries 56,81% shares in the capital of ZKiP Lewiatan 94 Holding S.A. and 63,25% percent of the votes at the general meeting of shareholders.

g) Increase of initial capital in Stokrotka Sp. z o.o.

On 27 January 2009, the Management Board of Emperia Holding S.A. received a decision of 20 January 2009 regarding the registration by the Regional Court in Lublin of the increased initial capital of a limited liability subsidiary, Stokrotka Sp. z o.o. ("Company"). The capital was upped by PLN 20,000,000. Following the registration, the initial capital of the Company comprises 82,653 shares of PLN 500 each, of the total value of PLN 41,326,500.

Emperia Holding S.A., either directly or through its subsidiaries, holds 100 percent of shares in the initial capital of Stokrotka Sp. z o.o. carrying 100 percent of votes at the general meeting of shareholders.

h) Sale of shares in Lewiatan Pomorze Sp. z o.o.

On 27 January 2009 BOS SA subsidiary sold to two individuals all of the owned shares in the Lewiatan Pomorze Sp. z o.o., representing 9.69% of the shares in the capital, carrying 9.69 percent of votes at the general meeting of shareholders.

i) Purchase of further shares in Społem Tychy Sp. z o.o. with its seat in Tychy.

On 2 February 2009, Emperia Holding S.A. acquired 4,676 shares in a limited liability company, Społem Tychy Sp. z o.o. with its seat in Tychy, which—alongside the shares held previously—carry 99.22 percent of votes at the general meeting of shareholders and account for 99.22 percent of shares in the initial capital of Społem Tychy Sp. z o.o.

j) Increased Share Capital of Lewiatan Północ Sp. z o.o.

On 26 February 2009 has been an increase in the share capital of a amounting to PLN 250,000 Lewiatan Północ Sp. z o.o. subsidiary. Emperia Holding S.A. embraced in this way 500 shares of the nominal value of PLN 500 each. Emperia Holding S.A. holds 100 percent of shares , which represent 100% of share capital Lewiatan Północ Sp. z o.o. and carrying 100 percent of votes at the general meeting of shareholders. The capital increase has not been registered yet by the court.

k) Projection of Selected Financial Results in 2009

The Management Board of Emperia Holding S.A. hereby discloses a projection of selected consolidated financial results of the Emperia Group of Companies in 2009:

- Sales revenues PLN 5,900,000
- Investment expenditures PLN 200,000

The projection envisages continued organic growth of the Emperia Group both in the wholesale and the retail business. The underlying assumptions for the 2009 projection do not include potential acquisitions of FMCG companies. The Management Board of Emperia Holding S.A. will monitor progress towards achievement of the projection based on the internal business monitoring system. The assessment of the likelihood of the projected results being met will be disclosed in consolidated reports of the Emperia Group. Should the Management Board of Emperia Holding S.A. become aware at any time of reasonable grounds for a potential difference with respect to any of the items of at least 10 percent compared to the projected figure, it will disclose it to the public in a current report.

l) Purchase of Shares in Polish limited liability company Ambra Sp. z o.o. in Czechowice-Dziedzice

On 11 March 2009 Emperia's subsidiary limited liability company, Tradis Sp. z o.o. ("Tradis"), acquired 100 percent of shares in a Polish limited liability company, Ambra Sp. z o.o. (Company") having its registered seat in Czechowice-Dziedzice.

Tradis acquired from individuals-shareholders of the Company 16,000 shares of the nominal value PLN 500 each, representing 100 percent of the share capital and carrying 100 percent of voting power at the general meeting of shareholders.

The maximum aggregate price for the interest is PLN 8,000,000, with payment of PLN 500,000 being conditional upon the 2008 financial results of the Company, which are being audited.
Ambra is the leader of the wholesale distribution of household chemistry products and cosmetics in the Slask, Opolszczyzna and Małopolska Regions of Poland. In 2008, the Company generated PLN 118,000,000 in sales revenues.

The acquisition of the interest in Ambra is financed with the purchaser's (Tradis) internal cash flows.

m) Execution of Credit Facility Agreement by Subsidiary.

On 31 March 2009 a Credit Facility Agreement was signed between subsidiary limited liability company Tradis ("Borrower") and Powszechna Kasa Oszczednosci Bank Polski Spółka Akcyjna in Warsaw ("Lender").. The Lender has provided a working capital revolving credit facility of PLN 100,000,000.

The purpose of the facility is to finance day-to-day operational needs and the growth strategy pursued.
The credit facility has been granted for the period from 31 March 2009 to 31 December 2011.

The facility is secured by:
● A guarantee issued by the parent company, Emperia Holding S.A., of up to the facility amount, that is PLN 100,000,000 throughout the term of the facility.
● A joint ceiling mortgage over real properties either owned or in perpetual usufruct of the Borrower or other members of the Emperia Holding Group.

As consideration for the guarantee issued, Tradis will pay to Emperia Holding S.A. a fee of 0.3% per annum on the guarantee amount throughout the term of the guarantee. The facility interest rate is based on WIBOR + Lender's margin. The other terms and conditions are consistent with those customarily applied in the market in agreements of this type.

n) Purchase of Shares in Polish limited liability company Przedsiebiorstwo Handlowe Alfa Sp. z o.o in Lublin

On 10 April 2009 year Emperia Holding SA acquired by a subsidiary Stokrotka Sp. z o.o. 100% of the shares in the Przedsiębiorstwo Handlowe Alfa Sp. z o.o having its registered seat in Lublin. Przedsiebiorstwo Handlowe Alfa Sp. z o.o. is a food product and manufactured product retailer. The Company operates 3 supermarkets in Lublin. In 2009, the revenues of the Company are projected to reach some PLN 36 million.

Note 52 Settlements of Litigation.

In 2008 the Group was not a party to any proceedings pending before any court or another body relating to liabilities or receivables totalling at least 10 percent of equity.

Note 53 Failure to repay or breach of a loan agreement and failure to take remedial actions.

No such event occurred in the Group in 2008.

Note 54 Abandoned activity

No such event occurred in the Group in 2008.

Note 55 Other material information.

a) Member of Management Board Steps Down

Emperia Holding S.A. ("Company") informs that following the receipt of his resignation, the Supervisory Board of Emperia Holding S.A. dismissed Mr Piotr Laskowski as a Member of the Management Board of Emperia Holding S.A. as of 3 January 2008.
At the same time the Management Board of Emperia Holding S.A. informs that Mr Piotr Laskowski has applied for membership of the Supervisory Board of Emperia Holding S.A.

b) Appeals of Member of the Supervisory Board

Following Mr Wincenty Mura's resignation of his Supervisory Board membership, the Extraordinary General Meeting of Shareholders of EMPERIA HOLDING Spółka Akcyjna dismisses Mr Wincenty Mura as a Member of the Supervisory Board as of 3 January 2008.

c) Appointment of a new member of the Supervisory Board Emperia Holding SA

On 3 January 2008 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. unanimously appointed Mr Piotr Laskowski as a Member of the Supervisory Board.

d) Changing the name of the Groszek Sp. z o.o. to Detal Koncept Sp. z o.o.

On 26 February 2008, the District Court in Lublin registered the change of the name and address of company forming part of Emperia Holding Capital Group from Groszek Sp. z o.o., Łęczyńska 53 a, 20-313 Lublin to Detal Koncept Sp. z o.o., ul. Mełgiewska 7-9, 20-952 Lublin. Change of the name is dictated by a change of concepts of the Company, launched by merger of: Milea Sp. z o.o. and Sklepy Polka Spółka z o.o. with Groszek Sp. z o.o. at the beginning of January 2008.Issuer believes that new name better reflects the nature of the company's activities as a organizer of two national franchise chain: Groszek and Milea outlets.

e) Purchase by Emperia Holding S.A. of Bonds Issued by BOS S.A. Subsidiary

On 25 October 2007, acting under the terms of the Brokerage Agreement concluded with BRE Bank S.A., BOS S.A. issued bonds of the nominal value of PLN 20 million with the redemption date on 30 April 2008. The bonds purchased by Emperia Holding S.A. are nonpublic unsecured short-term discount bonds. The bonds interest rate is based on market terms.
The issue is part of the cash management programme of the Emperia Group of Companies. As at 28 February 2008, the aggregate nominal value of bonds issued by BOS S.A. is PLN 40.0 million.

f) Execution of Strategic Cooperation Agreement between Lewiatan Holding and Emperia Holding SA.

On 13 March 2008, the Management Boards of Lewiatan Holding and Emperia Holding SA concluded in Włocławek a Strategic Cooperation Agreement.
The main objective of Lewiatan Holding and Emperia Holding as set forth in the Agreement is to provide the closest possible collaboration between Lewiatan's Polish Retail Chain (Polska Siec Handlowa Lewiatan) and Emperia's Retail Organisation (Organizacja Handlowa Emperia), and to eventually effect a merger between the organisations.
Lewiatan Holding and Emperia Holding intend to retain the autonomy and identity of Lewiatan's Polish Retail Chain and of the other retail chains currently operating as part of Emperia's Retail Organisation.
Both parties will seek to ensure stable arm's length collaboration, implement uniform modern IT solutions and ensure full sharing of operational and marketing expertise with a view to reducing costs and improving performance.
Lewiatan's Polish Retain Chain comprises 2,000 franchise retail outlets, pursuing its policies through its head office, Zwiazek Kupców i Producentów Lewiatan'94 Holding S.A. in Wrocław, and regional Operational Companies.

As a result of the contract, was made the acquisition of shares of Lewiatan Holding, after which the total commitment of GK Emperia is 51.16%.

g) Changing the name of the Eldorado Sp. z o.o. subsidiary to Tradis Sp. z o.o.

On 28 April 2008 the District Court in Lublin, XI Commercial Division of National Court Register, registered the change of the name, of the Eldorado Sp. z o.o. to TRADIS Sp. z o.o.
The company has changed adress, from Metalurgiczna 30, 20-232 Lublin to Mełgiewska 7-9, 20-952 Lublin.

h) Number of Issuer's Management Board Members Reduced by Supervisory Board of Emperia Holding S.A.

The Management Board of Emperia Holding S.A. ("Company") informs that at a meeting held on 27 May 2008, the Supervisory Board resolved to reduce the number of the Issuer's Management Board Members and dismissed the following Management Board Members:

1. Mr Jacek Dudzik, IT Director,
2. Ms Renata Bronisz-Czyż, Personnel Director,
3. Mr Jarosław Rudnicki, Distribution Business Development Director,
4. Mr Lesław Syguła, Distribution Business Operating Director.

It is the opinion of the Supervisory Board that the increased scale of operations of the Emperia Holding Group and the rapidly changing FMCG market call for fast and effective management decisions realigned with the long-term strategy of the Group, and hence pursuant to Article 14(2)(b) of the Articles of Association of Emperia Holding S.A. the Supervisory Board resolved to reduce the number of members of Emperia Holding S.A.'s Management Board.
In the Supervisory Board's view the above changes will help strengthen further Emperia Holding S.A.'s position as the leader of Polish FMCG retail/wholesale business.

i) Resolution to Distribute Dividend

On 26 June 2008, the General Meeting of Shareholders adopted the following Resolution 5 of Ordinary General Meeting of Emperia Holding S.A. with its registered office in Lublin regarding distribution of profit.

It is resolved that out of the net profit generated by the Company in the financial year ending on 31 December 2007 of PLN 14,630,368.95 (fourteen million six hundred and thirty thousand three hundred and sixty-eight and 95/100 zloty), PLN 13,301,341.68 (thirteen million three hundred and one thousand three hundred and forty-one and 68/100 zloty) be distributed as dividend, representing PLN 0.88 (point eighty-eight zloty) per share. The balance of profit of PLN 1,329,027.27 (one million three hundred and twenty-nine thousand twenty-seven and 27/100 zloty) be allocated to the reserve capital fund.
All shareholders holding shares as at 1 September 2008 (record date) are entitled to the dividend.
The date of dividend payment is set for 17 September 2008.

j) Changing the name of the Retail Services Poland S.A. to Partnerski Serwis Detaliczny S.A.

On 28 July 2008 the District Court in Warsaw registered the change of the name of the company Retail Services Poland S.A. New name of the company is Partnerski Serwis Detaliczny S.A. The seat of the company didn't change.

k) Three-Year Management Option Plan for 2008-2010

In June 2008, the General Meeting of the dominant company, Emperia Holding S.A., adopted a resolution to launch a Three-Year Management Option Plan. The Plan is targeted at the Management Board of the company and of its subsidiaries and the key managers of the company and its subsidiaries. The objective of the plan is to incentivise key managers to achieve the Group's strategic objectives and tie them with the Group over the long-term.

<u>Principal documents of the Management Option Plan:</u>

1. Resolution 26 of the Ordinary General Meeting of Shareholders of Emperia Holding S.A. of 26 June 2008 on the terms and delivery by the company of the three-year (2008-2010) Management Option Plan;
2. Resolution 27 of the Ordinary General Meeting of Shareholders of Emperia Holding S.A. of 26 June 2008 on the issue of bonds with pre-emptive rights and conditional increase of the company's initial capital;
3. Regulations of Management Option Plan at Emperia Holding S.A.;
4. List of Management Option Plan participants approved by the Supervisory Board of Emperia Holding S.A.

<u>Underlying assumptions of the Management Option Plan:</u>

The size of the plan is up to 450,000 (in words: four hundred and fifty thousand) registered bonds with pre-emptive rights to acquire ordinary O series bearer shares of the company of the nominal value of PLN 1.00 (in words: one zloty) each.

The bonds will be issued in three tranches. Each tranche will offer to the eligible individuals up to:
- 120,000 bonds carrying pre-emptive rights to 120,000 shares under Tranche I;

- 150,000 bonds carrying pre-emptive rights to 150,000 shares under Tranche II;
- 180,000 bonds carrying pre-emptive rights to 180,000 shares under Tranche III.

The options are exercisable in the following periods:
- for Tranche I bonds – no earlier than on 1 April 2012 and no later than on 31 March 2016;
- for Tranche II bonds – no earlier than on 1 April 2013 and no later than on 31 March 2017;
- for Tranche III bonds – no earlier than on 1 April 2014 and no later than on 31 March 2018.

The nominal value and issue price of one bond is PLN 0.01. The underlying instrument of the option is a share of the company quoted on the Stock Exchange.

The issue price of the shares offered under the Management Option Plan is the average closing price of the company's shares on the Stock Exchange in Warsaw over a period of 90 days preceding the date of adopting Resolution 26 on the terms and delivery by the company of the three-year (2008-2010) Management Option Plan.

The following requirements must be met for eligibility in the relevant tranche of the Management Option Plan:

- the eligible individual must remain in an employment relationship continuously over the period from placing that person in the list of eligible parties to 31 December—depending on the tranche—2008, 2009 or 2010, respectively; and/or
- the Management Board must confirm achievement by the eligible individual of the individual objectives as prescribed in the individual objectives sheet for—depending on the tranche—2008, 2009 or 2010, respectively.

Measurement and recording of Management Option Plan

The Group recognised the Management Option Plan at fair value on the launch date, as required under IFRS 2 and IFRIC 11. The valuation was prepared by a third-party expert based on the Monte-Carlo valuation model. The valuation took into account: model input price (share price on the day of granting the instrument), instrument exercise price, its expected variability, likelihood of earlier exercise, expected dividend and risk-free interest rate. The fair value of the Plan in its expected three-year implementation period totals PLN 2,196,000. The figure is recognised throughout the term of the Plan, starting from 1 October 2008 to 31 December 2010. In the Financial Statements the fair value of the Plan is recorded in the profit and loss account as the costs of the management option plan in correspondence to the increase of supplementary capital. The fair value of the Management Option Plan, recognised and charged against costs in 2008, is PLN 600,000.

l) Liquidation of the Rexpol company Co. Ltd

In 2008 the Rexpol company didn't conduct operational activity. The process initiated in 2007 of the liquidation of the dependent company Rexpol Sp. z o.o. for formal reasons wasn't finished in 2008. Crossing off the company from NCR is expected in 2009.

m) Disclosure under the procedure of Article 160(4) of the Act on Trading in Financial Instruments.

On 20 October 2008, a Member of the Company's Management Board, Mr Grzegorz Wawerski, acquired the total of 15,738 ordinary bearer shares in Emperia Holding S.A. at the average price of PLN 53.09 per share. The transaction took place during a regular session of the Stock Exchange in Warsaw (Giełda Papierów Wartościowych w Warszawie S.A.).

n) Notification of Purchase of Shares in Emperia Holding S.A. by Open Pension Fund Commercial Union OFE.

On 1 December 2008, the Management Board of Emperia Holding S.A. received notification from Open Pension Fund Commercial Union OFE that following the purchase of shares in Emperia Holding S.A. with its seat in Lublin cleared on 24 November 2008, Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK ("CU OFE") increased its voting rights in the Company to over 10 percent.

Prior to the above transactions, as at 21 November 2008, CU OFE had held 1,491,748 shares in the Company, representing 9.87 percent of the initial capital (outstanding shares) of the Company, carrying 1,491,748 votes at the General Meeting, which accounted for 9.87 percent of the total number of votes. Upon completion and clearance of the above transactions, as at 24 November 2008, CU OFE held 1,571,948 shares in the Company, representing 10.40 percent of the initial capital (outstanding shares) of the Company, carrying 1,571,948 votes at the General Meeting, which accounted for 10.40 percent of the total number of votes.

o) Tradis Sp. z o.o. – launch of a Cash & Carry outlet in Wrocław.

In December 2008, the upgrade of a self-service Cash & Carry Tradis outlet in Wrocław was completed (it formerly operated as part of Sydo Sp. z o.o.). After the upgrade the location offers an area of 3,000 sq. m and over 7 000 product items, it has a functional layout, and meets all the requirements of a state-of-the-art C&C facility in which shopping is quick and convenient.

p) Conditional registration of Emperia Holding S.A. shares by the National Securities Depositary.

On 11 December 2008, the Management Board of Emperia Holding S.A. received Resolution 683 of the Management Board of the National Securities Depositary, Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW"), of 11 December 2008 relating to conditional registration of the following securities of Emperia Holding with KDPW:

1. 82,144 (eighty-two thousand one hundred and forty-four) M series ordinary bearer shares, of the nominal value of PLN 1 each, code PLELDRD00017, providing the decision is made to introduce the shares to trading in the regulated market, not earlier however than on the date of introduction of the registered shares to trading in the above market, as designated in the decision.

2. 122,429 (one hundred and twenty-two thousand four hundred and twenty-nine) N series ordinary bearer shares, of the nominal value of PLN 1 each, code PLELDRD00017, providing the decision is made to introduce the shares to trading in the regulated market, not earlier however than on the date of introduction of the registered shares to trading in the above market, as designated in the decision.

q) Filing of an application for introduction of shares to Stock Exchange trading.

On 16 December 2008, an application was filed for introduction to trading on the Stock Exchange in Warsaw of 82,144 M series shares and 122,429 N series shares, code PLELDRD00017.

r) Introduction to Stock Exchange trading and setting the date of first quotation.

By Resolution 961/2008 of 19 December 2008, the Management Board of the Stock Exchange in Warsaw, Giełda Papierów Wartościowych w Warszawie S.A., confirmed introduction to the main market trading of the following Emperia Holding shares:
– 82,144 M series shares;
– 122,429 N series shares;
of the nominal value of PLN 1 PLN each, code PLELDRD00017

The Management Board of Giełda Papierów Wartościowych w Warszawie S.A. resolved to introduce the above shares to stock exchange trading in the main market under the standard procedure as of 29 December 2008, providing that the National Securities Depositary, Krajowy Depozyt Papierów Wartościowych S.A., registers the shares on 29 December 2008 and designates them with code PLELDRD00017

s) Integration of wholesale subsidiaries as part of wholesale business restructuring in the Emperia Holding Group of Companies.

The first half of the current year saw the launch of a corporate integration process in the wholesale business. In the reporting period, distribution subsidiaries allocated their branches within the Group to lay the ground for the future operation based on geographical regions and for the legal merger of the wholesale business scheduled for next year. The transactions, which were carried out on an arm's length basis, were intra-group transactions and consequently they did not affect the results reported in the consolidated financial statements.

In 2008, at the expense of great organisational and financial effort, many branches of the wholesale subsidiaries were redistributed among the Group's members, geographical regions were set up, three new distribution centres were launched, uniform sales and stock control software was implemented, and organisational structures were standardised. At the end of 2008, the wholesale segment was fully ready for the legal merger of the wholesale operation marking the final stage of the Group's wholesale business rationalisation, scheduled to take place on 1 July 2009.

At the end of 2008, was set up a reserve for restructuring costs of employment. Reserve included costs of salaries and employee benefits, described in note 21 connected with restructuring section of distribution activity, that will be incurred in implementing next phase of rebuilding the structures of the Capital Group in 2009 (merger of distribution companies).

t) Instruments hedging export receivables and cash flows under export contracts.

A limited liability subsidiary, Arsenal sp. z o. o. with its seat in Białystok, is responsible for concluding foreign currency forward contracts within the Group.

Arsenal hedges its export receivables denominated in foreign currencies by concluding forward contracts providing for the sale of those foreign currencies. The hedges are set up after the actual sale is effected. The value and date of exercise of forward contracts corresponds with the value and maturity of the hedged receivables.

Arsenal also uses forward contracts for sale of currencies to hedge future cash flows under commercial contracts which predefine the date of delivery, quantity, price and value of goods contracted by foreign buyers.

All forward contracts are exercised by the delivery of the foreign currency generated by the hedged transaction.

In 2008, Arsenal entered into forward transactions providing for the sale of the following amounts of foreign currencies:

USD 8,143,658.45

GBP 2,350,000.00

EUR 15,859,332.08

of which at the end of the year the following amounts were still outstanding:

Date of transaction	Date of transaction settlement	Currency	Denomination currency	Valuation in thousands PLN on 31.12.2008 - liability
2008-10-09	2009-01-30	EUR	470 000	349
2008-10-14	2009-01-30	EUR	50 000	35
2008-10-30	2009-01-30	EUR	400 000	275
2008-11-13	2009-01-30	EUR	300 000	129
2008-11-18	2009-01-30	EUR	200 000	63
2008-12-29	2009-01-30	EUR	432 364	330
2008-12-03	2009-02-27	EUR	500 000	162

EMPERIA HOLDING S.A. all amounts in thousands PLN

2008-12-09	2009-02-27	EUR	190 000	47
2008-09-15	2009-03-31	EUR	23 773	19
2008-10-14	2009-03-31	EUR	700 000	500
2008-10-14	2009-06-30	EUR	1 100 000	789
2008-10-14	2009-09-30	EUR	1 100 000	787
2008-11-18	2009-01-30	USD	270 000	(25)
2008-12-09	2009-01-30	USD	130 000	(12)
2008-12-29	2009-01-30	USD	150 000	(6)
2008-12-29	2009-01-30	USD	140 000	20
2008-12-29	2009-01-30	USD	51 222	16
				3 478

The Company has included the valuation of forward transactions in accordance with hedge accounting and fair value of future cash flows - see note 23

11. Management Board Report on the Operations of the Group in 2008.

11.1 Financial Highlights

Description	Annual 2008	Annual 2007	%
Sales revenues	5 257 118	4 424 833	18.8%
EBIDTA	148 940	176 161	(15.5%)
Profit on operations	96 012	136 185	(29.5%)
Profit before tax	80 443	110 515	(27.2%)
Profit in the period	59 206	88 417	(33.0%)
Total assets	1 725 268	1 487 202	16.0%
Liabilities and provisions against liabilities	980 185	797 880	22.8%
Short-term liabilities	673 964	652 792	3.2%
Net assets	745 083	689 322	8.1%
Share capital	15 115 161	13 467 096	12.2%
Annualised profit per share in the period	3.93	6.57	(40.3%)

Group's activity and payment capacity.

Description	Annual 2008	Annual 2007
Return on invested capital (profit for the period under review/equity at the end of the period) in %	7.95%	12.83%
Return on assets (profit for the period under review/total assets at the end of the period) in %	3.43%	5.95%
Return on sales (profit for the period under review/sales revenues in the period) in %	15.46%	15.04%
Return on EBIDTA in %	2.83%	3.93%
Return on operations (profit on operations for the period under review/sales revenues in the period) in %	1.83%	3.08%
Gross return (profit before tax for the period under review/sales revenues in the period) in %	1.53%	2.50%
Net return (profit for the period under review/sales revenues in the period) in %	1.13%	2.00%

In 2008, there was a significant increase in sales revenues resulting from mergers and acquisitions effected both in the current and in the past year.

The Group's financial performance is satisfactory. However, it should be also borne in mind that the complex wholesale business integration process undertaken inside the Group resulted in increasing the Group's operating expense as well as producing a temporary loss of sales and margin. Further, maintaining a high pace of growth in the number of retail outlets significantly affected the Group's profitability in 2008.

The equity integration with members of the Lewiatan Trading Organisation was an important process in terms of future performance. The first stage of that equity integration project has been successfully completed. At the moment activities aimed at achieving closer operational integration, in particular as regards joint trading operations, are under way, which in the coming months should translate into a material increase of sales between both Groups.

It is the management board's opinion that completion in 2008 of the restructuring processes in the wholesale business and the segment's timely implemented and completed integration will soon produce a material increase in sales and profitability at all margin levels, starting from the sales margin to the net return.

11.2 Scope of Business of the Emperia Holding Group.

The Emperia Holding Group engages in FMCG (Fast Moving Consumer Goods) wholesaling and retailing; FMCG include almost all grocery products, cosmetics, household chemical products, alcohol and tobacco, small household appliances, etc. The Emperia Holding Group is one of the largest and fastest growing Polish trading groups in the FMCG sector.

The Group's national wholesale (distribution) business comprises counter-service and self-service wholesale operations. We also offer distribution and logistic services for retail chains and retail outlets. Our wholesale operations supply also retail outlets operating as part of the Emperia Group.

At the moment we are developing the following chains:
- *Stokrotka* chain of supermarkets;
- *Delima* chain of deli supermarkets (formerly styled as *Stokrotka Premium*);
- *Groszek* and *Lewiatan* franchise chains;
- *Społem Tychy*, *Maro Market*, *Euro Sklep* partnership outlets.

The wholesale and retail businesses are supported by special purpose vehicles. Infinite Sp. z o.o. focuses on developing electronic communication software and hardware solutions and Emperia Info Sp. z o.o. supplies fully operational and economically justified IT systems to or all members of the Emperia Group. Elpro Sp. z o.o., another SPV, focuses on identifying attractive locations for wholesale/retail space development and acts as the facility manager for the existing properties.

At the moment we are one of the largest Polish trading groups that engage in FMCG wholesaling and retailing, operating nationally, and boasting an aggregate workforce of nearly 12,000 people.

In 2008 Emperia Holding acquired further FMCG businesses. The Group's financial performance for the first time incorporates Alpaga-Xema Sp. z o.o. and Sydo Sp. z o.o., taken over at the end of 2007, which own wholesale operations in the Dolnośląskie, Lubuskie, Śląskie, and Wielkopolskie Regions of Poland.

The effects of the acquisitions include above all:
- improved operational capacity and strengthening our position as one of the leading national FMCG wholesalers;
- facilitating further geographical expansion of the retail business.

Effective management of the Group established as a result of the merger was conditional upon transforming it into a holding. Since the second quarter of 2007 the Group has been operating as a holding, which ensures better management and facilitates expansion based on mergers and acquisitions. Since the merger with the BOS Group, a number of activities and processes have been initiated to rationalise the Group's organisational structure and clearly formulate the operational objectives of the various Group members. The integration of the wholesale subsidiaries as part of the Emperia Holding Group's wholesale business restructuring commenced (for details see note 55(s)).

EMPERIA HOLDING S.A. all amounts in thousands PLN

At the moment the core business of the Emperia Group is well-organised and it falls into two major business lines: retail business and wholesale (distribution) business.

The retail business is comprised of the following retail chains:

– 135 Stokrotka supermarkets, including 5 Delima deli supermarkets (formerly styled as Stokrotka Premium).
– 888 Groszek small and medium-sized franchise outlets; additionally, at the end of 2008, Detal Koncept operated 43 Milea stores;
– 149 Lewiatan outlets, including 143 franchise stores and 6 proprietary stores; additionally, 107 Lewiatan Dolny Śląsk outlets, 232 Lewiatan Zachód outlets, 98 Lewiatan Orbita outlets, 179 Lewiatan Wielkopolska outlets, and 169 Lewiatan Śląsk outlets;
– 25 Społem Tychy partnership stores;
– 438 Euro Sklep outlets;
– 19 Maro Market outlets.

The wholesale business comprises 9 subsidiaries whose operations are organised geographically or functionally as part of seven regions covering the entire Polish territory. The subsidiaries operate among them 5 distribution centres, 73 warehouses and branches, including 68 cash & carry locations of the aggregate area of 293,000 sq. m.

11.3 Assessment of financial management in 2008 based on liquidity, structure, stock turnover and debt ratios

Liquidity ratios	**Annual 2008**	**Annual 2007**
Current liquidity ratio (current assets/current liabilities)	1.30	1.22
Quick liquidity ratio (liquid current assets/current liabilities)	0.68	0.69
Immediate ratio (short-term investments/current liabilities)	0.07	0.14

In the period under review, all the liquidity ratios maintained their level from the past year.

The Group's liquidity ratios as reported are typical of the trading business. The need to meet the rapidly growing sales and supply the newly developing organisational structure translates into higher level of stock and liabilities (trade credit received). On the other hand, the growing customer base means increased receivables (trade credit granted).

Working capital level and breakdown	**Annual 2008**	**Annual 2007**
1. Current assets	873 980	797 101
2. Cash and securities	50 223	92 497
3. Adjusted current assets (1-2)	823 757	704 604
4. Current liabilities	673 964	652 792
5. Short-term credit facilities	22 903	57 632
6. Adjusted current liabilities (4-5)	651 061	595 160
7. Working capital (1-4)	200 016	144 309
8. Working capital requirements (3-6)	172 696	109 444
9. Net cash balance (7-8)	27 320	34 865
10. Own funds financing current assets (7:1) in %	22.89%	18.10%

EMPERIA HOLDING S.A. all amounts in thousands PLN

Turnover of main items of working capital	Annual 2008	Annual 2007
Stock turnover in days (stock/costs of goods and materials sold*365)	35	34
Collection period in days (accounts receivable/sales revenues*365)	28	29
Payment period in days ([short-term liabilities – short term credit facilities]/ costs of goods and materials sold*365)	53	58
Total assets turnover (sales revenues /total assets)	3.05	2.98
Fixed assets turnover (sales revenues/fixed assets)	6.18	6.41

On year after the public share issue, the external Group debt increased slightly and thus also did own financing of the working capital.
The assets turnover ratios decreased following increased fixed assets due to the high investment outlays relating to the locations which have not yet achieved their projected sales and profitability.

Debt ratios	Annual 2008	Annual 2007
Overall debt ratio (liabilities and provisions against liabilities/total assets)	0.57	0.54
Debt to equity ratio (liabilities and provisions against liabilities/equity)	1.32	1.16
Equity to assets ratio (equity/total assets)	0.43	0.46
Long-term debt ratio (long-term liabilities/total assets)	0.18	0.10

The high investment outlays are to a large extent financed by increasing external debt, mainly bank borrowing.

11.4 Group's product markets and suppliers

The Group's main suppliers include the key manufacturers of FMCG in Poland and the Polish representative offices of international corporations. Direct imports account for a small percentage of the Group's purchasing. None of the suppliers holds a dominant position, that is accounts for over 10 percent of the Group's purchasing. The Group has over 1,000 suppliers and manufacturers throughout Poland.

The key wholesale clients include retailers and wholesalers as well as food producers. The largest buyers include retailers operating franchise chains (Groszek and Lewiatan among them). Chain retailers account for a major proportion of the Group's sales and record the fastest growth of sales. The client base of Emperia Holding SA is highly very fragmented, and none of the clients not associated with the Company holds a dominant position, that is accounts for over 10 percent of total sales.

The Group's exports are marginal.
Retail customers are the focus of retail sales.

11.5 Significant agreements for the Group's operations

Lease agreements for the premises in which the Group operates its trading business.

All the lease agreements have been concluded for a long-term period, with a long notice period. The rents are charged at market rates.

Agreements with suppliers/buyers
The Group has in place master cooperation agreements with all the major suppliers and buyers of products and services. None of the Group's suppliers/buyers accounts for over 10% of total sales. Therefore, no single agreement materially affects the business, however all of them have a material effect.

The agreements with suppliers/buyers govern the cooperation between the parties to the extent of distribution and promotion of products offered by the manufacturer or supplier. The agreements lay down detailed procedures for placing orders, carrying out supplies, handling complaints, and effecting payments. In addition, the agreements also include provisions relating to trade credit and the manner of securing it, price discounts, rebates and targets, distribution areas, order size, product storage conditions, and the supplier's trading policy.

Franchise agreements concluded with Groszek and Lewiatan outlets are a special form of retail/wholesale agreements. They lay down the franchise condition and the terms on which the organisational, retail, and marketing system developed by the Franchisor is made available to the franchisees.

Agreements with the Group's bankers and credit facility agreements
As regards banking services and bank borrowing, the Group's bankers include: Banku PKO BP SA, PEKAO S.A., BREBANK S.A., Bank PKO S.A., BGŻ S.A., Rabobank Polska S.A., Raiffeisen Bank Polska S.A., BPH BH S.A. These banks finance the Group's working capital and investment needs by granting credit facilities to it. For details of the amounts, terms, and security for the credit facilities granted, see notes to the consolidated balance sheet.

Insurance agreements
As regards assets insurance, the Group's subsidiaries concluded insurance agreements with a number of insurers providing cover against casualty loss, accidents (vehicles), and theft and burglary. The Group has also in place civil liability insurance. Insurance agreements are concluded for a period of 1 year.

11.6 Main events in the Group in 2008:

a) Group structure rationalisation efforts:

- changes of names of Group subsidiaries: from Groszek Sp. z o.o. to Detal Koncept Sp. z o.o.; from Eldorado Sp. z o.o. to Tradis Sp. z o.o.; and from Retail Services Poland S.A. to Partnerski Serwis Detaliczny S.A.;
- merger of subsidiaries: Detal Koncept Sp. z o.o., Milea Sp. z o.o., and Polka Sp. z o.o.;
- sale of shares in Jaskółka Sp. z o.o. to Detal Koncept Sp. z o.o., and subsequent merger of both companies as of 1 July 2008;
- establishment of a new subsidiary: Emperia Info.
- changes in the composition of the Issuer's Management Board and Supervisory Board (for details see Section 8.16 of the Report on Management Board's Operations);
- efforts aimed at integration of wholesale subsidiaries (for details see note 54);
- adopting a resolution regarding the Management Option Plan for 2008-2010 (for details see note 54);
- organisational streamlining and personnel changes in The Group's wholesale and retail subsidiaries;
- increasing the share capital of Emperia Holding SA following registration by the court of the Ł, M, and N series share issue;
- adopting a resolution on the distribution of dividend for 2007.

b) Mergers and acquisitions during the reporting period:

- acquisition of an interest in Związek Kupców i Producentów Lewiatan'94 Holding S.A. under the terms of a strategic cooperation agreement concluded between ZKiP Lewiatan'94 Holding S.A. and Emperia Holding S.A.;
- acquisition of an interest in Alpaga-Xema Sp. z o.o. in Poznań;
- acquisition of an interest in Sydo Sp. z o.o. in Wrocław;

- acquisition of an interest in Lewiatan Dolny Śląsk Sp. z o.o**.,**
- acquisition of an interest in Lewiatan Zachód Sp. z o.o.,
- acquisition of an interest in Lewiatan Orbita Sp. z o.o.,
- acquisition of an interest in Lewiatan Śląsk Sp. z o.o.,
- acquisition of a further interest in Społem Tychy Sp. z o.o.,
- acquisition of a further interest in Lewiatan Opole Sp. z o.o.,
- acquisition of a further interest in Lewiatan Wielkopolska Sp. z o.o.

11.7 Unusual events affecting the result of the financial year

The group experienced no such events.

11.8 Investment outlays

In 2008, the Group's aggregate investment outlays totalled PLN 182,197,000. The Group's projected investment outlays in 2009 are PLN 200,000,000.

In 2009, the Group is not planning to increase its environment protection expenditures.

The Group proposes to finance its growth in 2009 partly with its own cash flows and partly with external funding.

11.9 Company dividend distribution policy

In accordance with the formulated policy, the Management Board of the dominant company, Emperia, intends to distribute among the shareholders part of the profit generated as dividend.

In 2007, the Management Board of the dominant company, Emperia Holding S.A., distributed the total of PLN 13,301,341.68 or PLN 0.88 per share, as dividend.

The Management Board of the dominant company, Emperia Holding S.A., proposes to distribute as dividend PLN 8,917,944.99 out of the net profit generated in 2008 by the dominant company of PLN 1,422,341.63 PLN and PLN 7,495,603.36 out of the reserve capital. Given the number of shares as at the date of the report, i.e. 15,115,161, this represents PLN 0.59 per share.

11.10 Factors affecting the Group's results over the next year:

Instability of financial markets in Poland and globally.

The economic crisis, which this time over has started with the financial sector, spreads to more and more market sectors. It is particularly visible in luxury-goods sectors and at the moment affects much less consumer goods (daily necessities). A detailed analysis of the results generated in 2008 indicates that the crisis has not as yet materially affected consumer demand among households for food products, the distribution of which, at both wholesale and retail level, is the core business of the Group.

However, one may expect that if the difficult economic conditions continue, then they are bound to affect consumer demand. This may relate to both the actual level of demand and its structure (more expensive goods being replaced by customers with their cheaper substitute equivalents). It is likely that private label goods will partly replace branded products, including in particular the high-end goods. The Groups efforts focus above all on realigning its product offering with the projected changes in the structure of demand.

The current economic situation may affect the Group's future performance also in other areas, that is:

a) The weaker zloty increases the cost of imported goods. A significant proportion of goods making up the Group's product offering are produced domestically and contain relatively low imported raw-material input, and hence they are not very susceptible to exchange rate fluctuations. There are however also entire categories of goods that are almost exclusively imported, such as for example: citrus fruits, coffee, tea, etc. In these cases one should expect increased purchase prices to produce higher prices at the checkout, as a result of which demand for these products will be reduced. The weaker zloty may significantly increase the purchase prices of certain fixed assets such as vehicles, logistic equipment, IT hardware, licences, etc. While the devalued currency will also effect costs of rental of commercial and warehousing space, in the majority of leases the Group has rents denominated in the domestic currency, thus being insulated from changes in exchange rates.

b) The increase of credit margins expected by the banks. The tighter supply of money allocated by banks to finance business activity will increase the margin that potential borrowers will have to accept to obtain bank credit funding. However, we expect that the increase in margins will be to a certain extent offset by interest rate reductions.

c) More difficult access to external financing (bank loans). It is not only the increasing cost of borrowing that may become a barrier to the development of many businesses but also, and perhaps above all, the more stringent lending requirements and expectations as to security. However, in this case the Management Board of the Group does not see any material threats that may produce slower growth rate due to restricted access to external financing. This is because of the high credibility of the Group as a potential borrower resulting from a number of fundamental factors: (1) relatively safe—from the lenders' viewpoint—business model and nature of the operations, (2) profitability track record, and (3) safe structure of the assets and liabilities.

Given the current market situation, the Group has undertaken and intends to continue measures which it believes will enable it to maintain the equilibrium and further stable growth in the present conditions:

- day-to-day monitoring and management of financial risks such as: liquidity, interest rate, and exchange rate risk;
- continued rationalisation of the Group's organisational structure, merger of wholesale and retail subsidiaries to reduce operating costs and improve the management standard;
- realigning the product offering with the crisis-affected customer needs.

The Group expects that the good side of the current economic crisis may be the reduced personnel costs as a result of weaker salary increase pressures and reduced staff turnover.

Development prospects:

Active participation in the consolidation of the wholesale and retail market targeted at:

a) FMCG wholesalers to fill in the gaps in the current geographical coverage of the Group's wholesale business;
b) Businesses enjoying a strong position in their respective local retail markets operating at least medium-sized outlets;
c) Wholesale and retail businesses in selected international markets.

Continued process of the Group's organic growth by:

a) Rationalisation of the central management functions in the Group;
b) Streamlining the operations, commencement of integration, and further development of the wholesale business;
c) Further development of the retail business (supermarket format);
d) Continued development of the partnership retail chains (self-service format);
e) Continued development of the franchise chains working with the Group.

11.11 Material transactions of the Issuer with associated entities

In 2008, Emperia Holding SA did not enter into any material transactions with associated entities, otherwise than in the ordinary course of business on an arm's length basis.

The intra-Group mergers effected in 2008 are described in Section 10.2.9.

As part of the Group's cash flow management, short-term bonds were issued, described in detail in Note 23.

11.12 Information on pending litigation.

In 2008 the Group's subsidiaries were not a party to proceedings before courts or other bodies relating to liabilities or receivables of the aggregate value of at least 10% of equity.

11.13 Credit facilities, loans and guarantees.

In 2008, the dominant company, Emperia, did not guarantee any credit facilities, loans, and did not grant any guarantees, in aggregate to a single entity or to an associated entity so that the aggregate value of outstanding guarantees totalled at least 10% of the Issuer's equity.

11.14 Changes in the underlying principles of Group management

In 2008 no changes have been made to the underlying principles of Group management.

11.15 Statement on the application of corporate governance principles

Report on Application of Corporate Governance Principles by Emperia Holding S.A. in 2008

Pursuant to § 29(5) of the Regulations of the Stock Exchange in Warsaw S.A. and Resolution 1013/2007 of the Exchange of 11 December 2007 on the Scope and Structure of Reporting on the Application of Corporate Governance Principles by Listed Companies, Emperia Holding S.A. presents below the information regarding the application of the principles included in an Annex to the Resolution of the Exchange No. 12/1170/2007 of 4 July 2007 *The Best Practices of Companies Listed on the Stock Exchange in Warsaw*.

I. Indication of the corporate governance principles which were not applied by the issuer, with an indication of the circumstances and reasons for the failure to apply the relevant principles and the way in which the company intends to remedy the potential consequences of the failure to apply the principles or what measures it proposes to take to reduce the risk of non-application in the future.

The Management Board of Emperia Holding hereby informs that in 2008 the Company applied the majority of the corporate governance principles, with the exception of:

1. Part I – Recommendations regarding best practices of listed companies

Para. 1: The Company shall apply a transparent and effective information policy, both using the traditional methods and modern technologies, ensuring fast, secure, and broad access to information. The Company, based on the most extensive practicable application of those methods of communication, shall ensure satisfactory communication with investors and analysts, enable on-line transmission of the Annual General Meeting, record the proceedings, and make the same part of public domain by posting it on the website.

In 2008 the Company did not apply the above principle to the extent of transmission of the Annual General Meeting of Shareholders. The Company did not record the proceedings and did not post the same on the corporate website.

The Company is considering making the proceedings of the Annual General Meeting of Shareholders part of public domain in the future.

Emperia Holding S.A. takes its best efforts to ensure equal access to corporate information to all the shareholders. The Company holds quarterly meetings with investors, analysts, and media representatives, at which the financial performance of the Company is presented. Regular meetings of the management board with participants of the market enable access to corporate information.

2. Part III – Best practices applied by members of supervisory boards

Para. 6: At least two members of the supervisory board shall meet the requirements of independence from the Company and any entities with significant links with the Company. As regards the supervisory board member independence requirements, Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board shall apply. The provisions of b) of the above Annex notwithstanding, an individual being an employee of the Company, subsidiary company or an associated company cannot be deemed to meet the independence requirements laid down under the Annex. Further, a link with the shareholder that excludes independence of a supervisory board member within the meaning of this Principle is an actual and significant link with a shareholder entitled to exercise the right to 5% or more of the total number of votes at the annual general meeting.

The Company did not follow fully the above Principle, as the Supervisory Board had one independent member. This composition of the Supervisory Board corresponded with the composition of the Company's shareholders and complied with its Articles of Association. It enabled adequate and effective implementation of the Company's strategy and sufficiently secured the interests of all the groups of the Company's shareholders.

3. Part III – Best practices applied by members of supervisory boards

Para. 7: At least one audit committee shall operate as part of the supervisory board. The audit committee shall include at least one member being independent from the company and from entities with significant links with the company, with expertise in accounting and finance. In the companies in which the Supervisory Board comprises the minimum number of members required under law, the Supervisory Board as such may act as the committee.

The Company did not comply with the above Principle, as the Supervisory Board did not appoint any committees. The Supervisory Board exercised the responsibilities of the various committees on a collective basis.

4. Part III – Best practices applied by members of supervisory boards

Para. 8: As regards the responsibilities and procedures of the Supervisory Board committees, Annex I to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (…) shall apply

The Company did not comply with the above Principle to the extent of para. 6 and 7 of Part III of *The Best Practices of Companies Listed on the Stock Exchange in Warsaw*. The responsibilities of the various committees were exercised as the responsibilities of the entire Supervisory Board and all its members.

II. The procedures of the Annual General Meeting and its principal powers and the rights of shareholders and the manner of exercise of these rights

The Annual General Meeting of Emperia Holding S.A. operates pursuant to the provisions of:

- the Commercial Companies Code;

- the Articles of Association of Emperia Holding S.A.;

- the AGM Regulations approved by the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. under Resolution 2 of 22 March 2007

The Company's Ordinary Annual General Meeting of Shareholders is always attended by representatives of the Management Board, Supervisory Board, and the Company's auditor.

In 2008, the Ordinary Annual General Meeting of Shareholders of Emperia Holding S.A. was held on 26 June in the Company's registered office. The Annual General Meeting was convened at the request of the Company's Management Board.

III. The composition and procedures of the Company's Management Board and Supervisory Board:

1. In 2008, the composition of the Supervisory Board of Emperia Holding S.A. was as follows:

Mr Ireneusz Zięba, Chairman

Mr Zenon Mierzejewski, Vice-Chairman

Mr Tomasz Krysztofiak

Mr Piotr Kawa

Mr Piotr Długosz

Mr Wincenty Mura (dismissed on 3 January 2008)

Mr Piotr Laskowski (appointed on 3 January 2008)

The Company discloses all changes in the composition of the Supervisory Board in its current reports. Information regarding the professional qualifications and expertise of members of the Supervisory Board is available on the Company's corporate website and updated as required.

The Supervisory Board operates pursuant to the provisions of:

- the Commercial Companies Code;

- the Articles of Association of Emperia Holding S.A.;

- the Supervisory Board Regulations approved by the General Meeting of Shareholders on 22 March 2007.

2. In 2008, the composition of the Management Board of Emperia Holding S.A. was as follows:

Mr Artur Kawa, Chairman of the Management Board;

Mr Jarosław Wawerski, Vice-Chairman of the Management Board;

Mr Dariusz Kalinowski, member of the Management Board;

Mr Jacek Dudzik, member of the Management Board (dismissed on 27 May 2008);

Ms Renata Bronisz-Czyż, member of the Management Board (dismissed on 27 May 2008);

Mr Jarosław Rudnicki, member of the Management Board (dismissed on 27 May 2008);

Mr Lesław Syguła, member of the Management Board (dismissed on 27 May 2008);

Mr Grzegorz Wawerski, member of the Management Board;

Mr Marek Wesołowski, member of the Management Board.

The Company discloses all changes in the composition of the Management Board in its current reports. Information regarding the professional qualifications and expertise of members of the Management Board is available on the Company's corporate website and updated as required.

The Management Board operates pursuant to the provisions of:

- the Commercial Companies Code;

- the Articles of Association of Emperia Holding S.A.

- the Management Board Regulations approved by the Supervisory Board on 27 June 2003.

IV. Description of the main features of the Company's internal control and risk management systems with respect to the preparation of financial statements.

Pursuant to the provisions of the Regulation of the Council of Ministers of 19 October 2005 on the current and periodical disclosures by issuers of securities, the Company's Management Board is responsible for the internal control system and the preparation of the financial statements and periodic reports at Emperia Holding. The accounting department operating as part of the Financial Department reporting to the Financial Director, Member of Management Board, is directly responsible for the preparation of the Company's financial statements and periodic reports. The Management Board approves the Company's financial statements. The certified auditor monitors and verifies the financial statements. Further, the certified auditor undertakes a preliminary audit and the audit proper of the financial statements of the Company and of the consolidated subsidiaries, and reviews the semi-annual financial statements. The certified auditor is appointed by the Supervisory Board.

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

Following his resignation, as of 3 January 2008 the Supervisory Board dismissed Mr Piotr Laskowski as a member of the Management Board of Emperia Holding S.A.

At its meeting on 27 May 2008, the Supervisory Board resolved to reduce the number of the Issuer's Management Board Members and consequently dismissed the following members of the Company's Management Board:

1. Mr Jacek Dudzik, IT Director;
2. Ms Renata Bronisz-Czyż, HR Director;
3. Mr Jarosław Rudnicki, Wholesale Business Development Director;
4. Mr Lesław Syguła, Wholesale Business Operational Director.

The composition of the Management Board of Emperia Holding SA is as follows:

1. Mr Artur Emanuel Kawa, Chairman of Management Board;
2. Mr Jarosław Wawerski, Vice-Chairman of Management Board;
3. Mr Dariusz Kalinowski, Member of Management Board, Financial Director;
4. Mr Marek Wesołowski, Member of Management Board, Retail Business Director;
5. Mr Grzegorz Wawerski, Member of Management Board, Retail Business Development Director.

Following his resignation, as of 3 January 2008 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. dismissed Mr Wincenty Mura as a member of the Supervisory Board of Emperia Holding S.A.

EMPERIA HOLDING S.A. all amounts in thousands PLN

On 3 January 2008 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. unanimously appointed Mr Piotr Laskowski as a member of the Supervisory Board.

The composition of the Supervisory Board of Emperia Holding SA is as follows:

1. Mr Ireneusz Zięba, Chairmsn of the Supervisory Board;
2. Mr Zenon Andrzej Mierzejewski, Vice-Chairman of the Supervisory Board;
3. Mr Piotr Kawa, Member of the Supervisory Board;
4. Mr Tomasz Krysztofiak, Member of the Supervisory Board;
5. Mr Piotr Laskowski, Member of the Supervisory Board;
6. Mr Piotr Długosz, Member of the Supervisory Board.

12. Change to the presentation of bonuses and its impact upon profit and loss account.

In 2008 all the subsidiaries of the Emperia Group changed the presentation of product losses and bonuses provided to the buyers and bonuses received from the suppliers.

The adjustment follows MSR 18 "Revenues" which provides that the same criteria of recognition (presentation) should be applied to two or more various transactions if they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. Product surpluses and losses and bonuses received and paid by the companies are linked with sales and affect directly sales revenues or cost of goods sold.

The change effected results in the correct presentation of the data in the profit and loss account, in compliance with the economic sense and purpose of the transactions.

● previously product losses were presented as selling expense, and now the value of product losses increases the cost of goods sold (in one of the Group's subsidiaries, the adjustment applies to other operating expense and not selling expense, as in 2007 the subsidiary reported product losses as other operating expense);

● previously bonuses provided to the buyers were reported as selling expense, and now they are deducted from sales revenues;

● previously bonuses received from suppliers were reported as sales revenues, now they are deducted from cost of goods sold;

The comparative data for 2007 has been adjusted as appropriate and presented below.

<u>The impact of the presentation of bonuses and stocktaking shortages upon the profit and loss account for 2007.</u>

	Note	12 months ended 31 December 2007	change	12 months ended 31 December 2007 after
Sales revenues		**4 479 562**	**(54 729)**	**4 424 833**
- including related entities		*1 355*		*1 355*
Sales of products and services	26	143 094	(39 773)	103 321
Sales of goods and materials	27	4 336 468	(14 956)	4 321 512
Cost of goods sold		**(3 791 522)**	**32 331**	**(3 759 191)**
- including related entities		*(1 320)*		*(1 320)*
Cost of manufactured products sold		(37 313)		(37 313)

EMPERIA HOLDING S.A. all amounts in thousands PLN

Cost of goods and materials sold		(3 754 209)	32 331	(3 721 878)
Profit on sales		**688 040**	**(22 398)**	**665 642**
Other operating income	28	21 831		21 831
Selling expense	29	(488 445)	21 804	(466 641)
General administrative expense	29	(79 322)	394	(78 928)
Other operating expense	30	(5 919)	200	(5 719)
Profit on operations		**136 185**		**136 185**
Financial income	31	3 700		3 700
Financial expense	32	(29 370)		(29 370)
Profit before tax		**110 515**		**110 515**
Income tax		(22 098)		(22 098)
Profit for period		**88 417**		**88 417**
Including: profit for shareholders of dominant entity		88 417		88 417
Profit for minority shareholders				

The impact of the presentation of bonuses and stocktaking shortages upon the explanatory notes to profit and loss account for 2007.

Nota 26

NET SALES OF PRODUCTS (by type of products)	12 months ended 31 December 2007	change	12 months ended 31 December 2007 after change
Sales of services	143 094	(39 773)	103 321
- including to related entities			
Total net sales of products	**143 094**	**(39 773)**	**103 321**
- including to related entities			

NET SALES OF PRODUCTS (by geographic area)	12 months ended 31 December 2007	change	12 months ended 31 December 2007 after change
Domestic	140 907	(39 773)	101 134
- including to related entities			
Export	2 187		2 187
- including to related entities			
Total net sales of products	**143 094**	**(39 773)**	**103 321**
- including to related entities			

Nota 27

NET SALES OF MERCHANDISES AND MATERIALS (by type of activity)	12 months ended 31 December 2007	change	12 months ended 31 December 2007 after change
Sales of merchandises and materials	4 336 468	(14 956)	4 321 512
- including to related entities	*1 355*		*1 355*
Sales of merchandises and materials	**4 336 468**	**(14 956)**	**4 321 512**

EMPERIA HOLDING S.A. all amounts in thousands PLN

- including to related entities	*1 355*		*1 355*

NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)	**12 months ended 31 December 2007**	**change**	**12 months ended 31 December 2007 after change**
Domestic	4 205 640	(14 956)	4 190 684
- including to related entities	*1 355*		*1 355*
Export	130 828		130 828
- including to related entities			
Total net sales of merchandise and materials	**4 336 468**	**(14 956)**	**4 321 512**
- including to related entities	*1 355*		*1 355*

Nota 29

COST BY KIND	**12 months ended 31 December 2007**	**change**	**12 months ended 31 December 2007 after change**
depreciation and amortization	(39 970)		(39 970)
materials and energy	(88 248)	22 198	(66 050)
external services	(185 554)		(185 554)
payroll	(222 452)		(222 452)
social security and other employee benefits	(50 228)		(50 228)
taxes and charge	(11 910)		(11 910)
other costs	(8 799)		(8 799)
Total cost by kind of expenditure	**(607 161)**	**22 198**	**(584 963)**
Sales costs	(488 445)	21 804	(466 641)
Overhead costs	(79 322)	394	(78 928)
Cost of products sold	(37 313)		(37 313)
Cost of manufactured computer software	(2 081)		(2 081)

Nota 30

NON OPERATING EXPENSES	**12 months ended 31 December 2007**	**change**	**12 months ended 31 December 2007 after change**
Loss from the sale of non-financial fixed assets	(73)		(73)
Revaluation of non-financial assets	(417)		(417)
Other non operating expenses	(5 429)	200	(5 229)
Total non operating expenses	**(5 919)**	**200**	**(5 719)**

Revaluation of non-financial assets	**12 months ended 31 December 2007**	**change**	**12 months ended 31 December 2007 after change**
Creating of write-offs – fixed assets	(328)		(328)
Reversal of write-offs – fixed assets	759		759
Creating of write-offs - receivable	(2 474)		(2 474)
Reversal of write-offs - receivable	1 626		1 626
Total revaluation of non-financial assets	**(417)**		**(417)**

EMPERIA HOLDING S.A. all amounts in thousands PLN

Other non operating expenses	**12 months ended 31 December 2007**	**change**	**12 months ended 31 December 2007 after change**
Donations	(759)		(759)
Compensation of vehicle damages	(844)		(844)
Compensation of fixed assets damages	(267)		(267)
Provisions			
Cost of real estates			
Court proceedings costs	(339)		(339)
Transfer rights from rental			
Sale of assets components	(352)		(352)
Intangible fixed assets liquidation	(505)		(505)
Receivables deducted			
Other operating costs			
Other	(2 363)	200	(2 163)
Total other non operating expenses	**(5 429)**	**200**	**(5 229)**

Lublin, April 2009

Signatures of members of Management Board:

2009-04-30 Artur Kawa President of the management board

....
signature

2009-04-30 Jarosław Wawerski Vice- President of the management board

....
signature

2009-04-30 Dariusz Kalinowski Member of the management board – Financial Director

....
signature

2009-04-30 Marek Wesołowski Member of the management board – Retail Business Director

....
signature

2009-04-30 Grzegorz Wawerski Member of the management board – Retail Business Development Director

....
signature

Person responsible for accountancy

2009-04-30 Elżbieta Świniarska Economic Director

....
signature