

## **CURRENT REPORT No. 17/09**

### **Date of Report:**

16 June 2009

### **Re:**

Assessment of Overall Standing of Emperia Holding (Company and Group) in 2008 Prepared by Supervisory Board of Emperia Holding S.A.

### **Legal Basis:**

Rule III.1.1) of Good Practices of Public Companies Listed on Stock Exchange in Warsaw

### **Update:**

The Management Board of Emperia Holding S.A. presents below a brief assessment of the overall standing of Emperia Holding (Company and Group) in 2008 prepared by the Supervisory Board of Emperia Holding S.A. for the Ordinary General Meeting of Shareholders of Emperia Holding S.A.:

### **“Brief Assessment of Overall Standing of Company and Group in 2008**

Following approval by Emperia Holding S.A. of Good Practices of Public Companies Listed on Stock Exchange in Warsaw adopted under § 29 of the Regulations of Stock Exchange in Warsaw, the Supervisory Board has prepared this Brief Assessment of Overall Standing of Company and Group including an assessment of the internal control system and the system of managing significant risks for the Company and the Group.

#### **I. Assessment of Overall Standing of Company and Group in 2008**

The Supervisory Board's assessment of the Company's overall standing confirms that despite the complex reorganisation process under way combined with a further expansion of the scale of its operations, the Group was capable of strengthening its position in the FMCG market.

In 2008, the Company speeded up the reorganisation of the Emperia Group, increased the pace of organic growth of its retail business as well as remaining highly active in the area of mergers and acquisitions.

Given the additional difficulties of conducting business under the mounting pressures of the imminent financial crisis, the Supervisory Board rates positively the Group's performance in 2008, despite the budget objectives approved in early 2008 not having been fully achieved. The sales revenues of the Emperia Group of PLN 5,257,000,000 were up on 2007 by 18.8%, with net profit of PLN 59,200,000 down by 33%. The reduction of net profit was mainly due to the higher than originally budgeted costs of opening new distribution centres and retail outlets. Net return on sales stood at 1.13% and return on equity at 7.95%. In 2008, the Group's investment outlays of over PLN 182 million were highest on record, up by over 40% on 2007.

In 2008, the Company again shared its profit with the shareholders. Out of the profit generated by the Group in 2007, PLN 13,301,314, or PLN 0.88 per share, was distributed as dividend. The slump in the financial markets and the volatile macroeconomic situation significantly affected the share prices of all public companies listed on the Stock Exchange in Warsaw, including those of Emperia Holding. In late 2008, Emperia's shares traded at PLN 55.30.

## **II. Assessment of Internal Control System and System of Managing Risks Significant for Company and Group**

The Supervisory Board's also rates positively the internal control system and system of managing risks significant for the Company and the Group. It is the view of the Supervisory Board that the Emperia Holding Group has in place systems for management of all the key risks, that is the operational, legal, and financial risk. The system comprises a set of IT solutions and corporate regulations aimed at hedging the Group from exposure to risk the extent of which the Management Board considers unacceptable. Further, the Group has in place an internal control system covering all the subsidiaries of the Group and all the key areas of its business.

It is the Supervisory Board's opinion that the Company's Management Board adequately monitors risks encountered in the rapidly changing external and internal environment with a view to eliminating threats to the operations and the financial standing of the Company and the Group.

In the Supervisory Board's view there is a significant potential in the Group to reduce costs of day-to-day operations and capitalise fully on all the synergies generated by the merger between the BOS and Eldorado Trading Groups. A committed management team, good financial health of the Emperia Trading Group, and consistent implementation of its strategy provide the grounds for the expectations of a material improvement of financial performance and further strengthening of Emperia's position in the FMCG market in Poland over the coming years."